

ITEM NO. 6a Attach 1

DATE OF
MEETING 6/14/2011

Annual Action Status Report
July 1, 2011
SAO 2010 Performance Audit
Port of Seattle
SAO Audit Report No. 1004635

This action status report addresses 10 recommendations submitted to the Port of Seattle following the Washington State Auditor's Office performance audit report that focused on the Port of Seattle's Real Estate management and selected programs.



SAO AUDIT RECOMMENDATION 1: We recommend the Port complete its Century Agenda as soon as possible and include the following elements:

- Specific goals and objectives to use real estate holdings to achieve financial security and promote economic development and community stewardship. The Port needs to set priorities and clarify the sometimes conflicting direction of Strategy 21's guiding principles. For example, the importance of generating revenue may conflict with the need to provide financial incentives to attract job-creating industries. The absence of priorities can create inconsistent and unclear decisions that do not align with long-term goals. These conditions may have contributed to the unexplained inconsistencies in lease rates and rate hikes discussed in Section 3.
- Identification of the specific types of businesses and industries –outside of traditional air-and sea-related companies–that the Port wants to secure and maintain as short-and long-term tenants.
- Goals and objectives that describe how the Port can best use its real estate to compete with other West Coast ports for tenants, industries and importers/exporters.

Port of Seattle Action Status to Recommendation 1:

The Port Commission is making excellent progress on the Century Agenda effort. The Commission has reviewed the SAO recommendations and, where possible, incorporated them into the ongoing Century Agenda process..

The port began the Century Agenda strategic planning process in 2008, with the goal of crafting a comprehensive vision and strategic plan for the port's next quarter-century. The strategic planning process reflects upon the accomplishments of the organization's first 100 years and will develop a new set of goals and objectives that reflect the challenges and opportunities of the 21st century.

On August 4, 2009, the commission adopted the "*Century Agenda: Expert Panels' Recommended Guiding Principles.*" Since that time, both the commissioners and port staff have engaged in iterative discussions to transform the principles into measurable goals and objectives. On January 4, 2011, the Century Agenda Committee, chaired by Commissioner Albro, and joined by Commissioner Creighton, was approved by the commission and tasked with completing the strategic plan.

The Century Agenda Committee has held numerous meetings thus far in 2011. The committee will host at least one public panel discussion each month from March until October. Panels will be composed of members of the public who have particular expertise in areas such as strategic planning, economic development, movement of cargo and people, and environmental and financial policies..

At the time this report is published, four panels will have occurred: a media roundtable, which included area journalists who reflected on the challenges they see facing the region in the coming 25 years; an economic development panel, which focused on emerging opportunities; efficient movement of cargo by sea, rail, and air; and efficient movement of people through airport and cruise facilities. Future panel topics include: the port's real estate portfolio; , community environmental values; and funding the port's operations.

Commissioners will develop a preliminary strategic goal after each roundtable, and that goal will be presented to the Commission for approval. By late September, a short list of strategic goals should be reviewed and approved by the commission. Port staff will then determine the five-year objectives necessary to achieve those goals. Final approval of both the strategic goals and their objectives will be completed by December 2011.

SAO AUDIT RECOMMENDATION 2: To ensure clear and consistent real estate management, we recommend the Port clarify the responsibilities of the Real Estate and Seaport divisions and improve the enforcement of its policies and procedures.

It is equally critical for senior managers to improve oversight of Port property transactions and to monitor employees' compliance with new policies and procedures.

Port of Seattle Action Status to Recommendation 2:

CEO Tay Yoshitani established the Real Estate division in 2008 to bring more focus to managing the port's real estate portfolio, and responsibilities within the relatively new division continue to evolve. The Managing Directors of the Seaport and Real Estate Divisions have reviewed their respective real estate portfolios in order to determine if any of the properties should be managed by the other division. The criteria used were the following:

1. Is the facility a marine cargo or passenger facility?;
2. Does the facility or property provide necessary support for businesses in category one?;
3. Is the property strategically important for future growth of seaport terminals?;
4. Is the leased property located in the middle of a seaport terminal where having two divisions involved would be cumbersome and inefficient?

Based on the above criteria, all leases were reviewed, and leases at Terminal 91 uplands, Pier 69 and Terminal 115 were considered for transferring between divisions. While a number of leases at these facilities could be shifted to the other division based on the first two criteria above, criteria four was the deciding factor in keeping the lease assignments as is. One lease at Terminal 107 was moved to the Real Estate Division.

Oversight over compliance with policies and procedures is critical and the procedures developed in response to Recommendation 6 address this issue.

SAO AUDIT RECOMMENDATION 3: We recommend the Commission assert the same level of authority over real estate transactions that it established in Resolution 3605 for construction management. In this audit, we identify conditions in which Port managers do not always provide complete and accurate information that the Commission needs to make sound real estate decisions. The Commission needs to ensure staff collect, track and convey key information related to the cost and benefits of the leases to the Commission.

In the long-term, an updated strategic management plan approach may call for further reorganization of these divisions to ensure that policies, procedures and daily operations contribute to achieving the Port's vision and goals. As the Port updates its strategic plan, it may want to reassess its division of responsibilities over real estate property management.

Port of Seattle Action Status to Recommendation 3:

In adopting Resolutions 3605 and 3628, the port commission considered its role and oversight in both the port's construction management and real estate property management practices.

These are two very distinct functions. As such, these resolutions apply two different, yet appropriate, approaches to commission versus staff authority for these activities. The commission is currently reviewing Resolution 3628 and will consider advisable changes as part of this process, including any revisions to sections two and three related to real estate agreements. The commission expects to act on the proposed changes to Resolution 3628 this fall. Port staff members will communicate those changes to the SAO when they have been implemented.

As addressed in the response to Recommendation 2, the Seaport and Real Estate Divisions have reviewed property assignments to ensure the properties that support each divisions strategic goals is assigned to that division. Both Divisions also will use consistent procedures when managing real estate assets.

SAO AUDIT RECOMMENDATION 4: To strengthen its oversight of property sales and purchases, we recommend the Port Commission adopt and enforce policies that require staff to perform and document the following efforts:

- Regularly and thoroughly analyze the Port's current and future property needs in the context of the goals and objectives of a long-term strategic plan. These ongoing analyses should clearly describe the justification for all purchases and sales. Properties with no current or future need should be declared surplus and made available for sale. The Port should not declare property surplus simply to expedite a sale.
- Review in detail all property value appraisals and determinations by Port staff involved in the property sale or purchase. This should also include a concurrent review by the Port's chief financial officer to ensure the appraisal is fully understood. When it buys and sells property, the Port should use current appraisals to establish and negotiate a good fair market price.
- Perform complete financial and risk analyses of the purchase that include remediation costs, potential ownership costs and environmental conditions.
- Scrutinize information from staff to ensure it is adequate and complete and decide on purchases and sales in an open public meeting.
- Effectively market and advertise the availability of Port property to allow multiple purchasers an equal opportunity to buy it in order to achieve the best purchase price.

Port of Seattle Action Status to Recommendation 4:

The port's current policies RE-1 through RE-6 address various aspects of real estate acquisitions and sales. In addition, section three of Resolutions 3605/3628 outlines staff's authority in acquiring and selling port-owned property. The commission is currently reviewing Resolution 3628 and will consider advisable changes as part of this process, including any revisions to section three related to real property acquisitions and sales. The commission expects to act on the proposed changes to Resolution 3628 this fall. Port staff members will communicate those changes to the SAO when they have been implemented.

SAO AUDIT RECOMMENDATION 5: Port Commissioners should establish a comprehensive strategy for each real estate asset and operating procedures to ensure prospective transactions are evaluated against those strategies. Specifically, the staff should:

- Develop a written asset management plan and strategies for each real property consistent with the Port's overall real estate strategy.
- Establish and document its desired business terms before negotiations are initiated for large complex transactions.
- Measure, evaluate and document the proposed business terms against whether the property use, lease terms, property improvements and tenant incentives are consistent with the Port's long-term interests.
- Use standardized analytical tools to assess the degree to which the proposed tenancy fits in with the Port's asset management plan.

Port of Seattle Action Status to Recommendation 5:

As noted under Recommendation 1, the Century Agenda process will be completed in 2011, but commissioners adopted the recommended land use and real estate guiding principles in 2009 and currently use those to evaluate real estate transactions. In addition, plans for the port's real estate portfolio are evaluated and approved annually during the budget process. The Port has also evaluated the property assignments between Real Estate and Seaport Divisions, as discussed in response to Recommendation 2, and ensured that properties that support each division's strategic goals are assigned to that division.

Port staff members evaluate management plans for specific assets regularly, through the annual budget planning process, during lease negotiations, and when vacancies occur. As discussed with auditors, the port has specific competitive process and financial analysis expectations for long-term (more than ten years) lease negotiations. Real estate staff members have developed additional policy guidelines for these leases. These guidelines are part of the updated procedures discussed in response to Recommendation 6.

SAO AUDIT RECOMMENDATION 6: Port Commissioners should establish policies and procedures designed to ensure:

- 1) Rental rates reflect fair market value and consistent lease pricing.
- 2) Financial analyses enable the Commission to negotiate acceptable rates of return.

Procedures to set rental rates should require staff members to:

- Treat similar properties consistently and follow the private sector practice of adjusting rental rates over the term of the leases.
- Obtain Commission approval for any lease whose rent does not reflect the prevailing market rate and provide a rationale consistent with the Port's strategic goals and mission.
- Obtain Commission approval for leases that are extended or renewed for combined periods that exceed five years.
- Establish methods to formalize and document the type and frequency of market analyses required for each lease. These methods should address the risks associated with changes in market conditions and over-reliance on third-party brokers.

- Establish a comprehensive marketing strategy that exposes properties to the greatest number of potential tenants.
- Suspend negotiations with a prospective tenant who is unwilling to pay fair market rent, and aggressively market the property to other potential tenants.
- Fully document all lease decisions.

Financial analysis procedures should require Port staff to:

- Prepare financial analyses of leases and capital projects early in the process when internal discussions begin. The financial analyses should consider all costs associated with a given asset so the Port can measure its performance against the asset management plan. The Port should continue to develop, improve and use rigorous, standardized financial analysis tools.
- Prepare a written narrative that describes all relevant facts and assumptions used in the analysis, including the basis for revenue assumptions, tenant selection, land and asset values and evaluation of alternatives.
- Require property managers and analysts to discuss and evaluate alternatives for the use of the land/assets.
- Calculate the projected benefits of the lease using both an "all in" approach (includes new capital expenditures, fair market value of all land and all existing assets, and all lease revenue) and an operational costs-and-revenue approach.
- Develop an independent review system that reports to the Commission. The individual who does this should review and verify information provided to the Commission regarding property transactions. This party would provide in writing:
 - A narrative describing all its relevant facts and assumptions, the method of evaluation, alternatives studied, and the overall conclusion of the financial analysis.
 - An independent review of the financial data prepared by the Division and verification as to its completeness and accuracy for major transactions.
 - A recommendation to approve or reject the proposal.

Port of Seattle Action Status to Recommendation 6:

Rental and lease rates: The direction to establish lease rates that are both consistent and pegged to fair market value seems contradictory; by its nature, fair market value changes often and if lease rates are to be pegged to those fluctuating values, they will not be consistent. Current policy is to consider first, how use of a facility contributes to the port's overall mission of job generation and economic development; and second, how best to achieve the greatest short- and long-term value to the organization for specific properties.

Staff has updated procedures and guidelines to address issues brought up by SAO audit in this area. A copy of the updated procedures is attached.

Financial analysis: The port will continue to improve documentation of financial analysis performed for leases that do not require commission approval and of evaluations considered by property management staff, as reflected in the updated procedures referenced above. The port will consistently adhere to policies that provide for written details, reviews, and recommendations of the financial analysis performed. The port will also ensure that commission memos contain a summary of the key components of the analysis performed, while

making more detailed information available to commissioners when requested, as is current practice.

The Port has considered the auditors' recommendation to include an "all in" approach in addition to the current incremental cash flow analysis approach and has elected to continue with its current practice for the following reasons: 1) the incremental cash flow approach is a well-established financial model used widely across both the public and private sectors; 2) the incremental cash flow approach accurately captures all of the relevant costs and benefits of proposed transactions; 3) the evaluation of fair market value is not relevant unless a sale of the property is an alternative under consideration (which is rare under current port policy); and 4) providing more than one financial return calculation would likely cause confusion rather than aid in decision making.

Real Estate and Seaport

Property Management Process and Procedure

Line of Business: **Real Estate Portfolio Management**
Seaport Lease & Asset Management
Seaport Cruise & Maritime Operations

Date Issued: [Date]
Port of Seattle



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1. Introduction

1.1 Purpose

This procedure discusses the documentation and process for all non-aviation agreements.

The intent of this publication is to clarify the process and procedure that Port staff needs to follow in order to consummate formal legal documents for real estate transactions undertaken by Real Estate and Seaport Divisions.

The importance of following the established process and procedure cannot be overemphasized. The Port's real estate transactions are highly visible, are subject to audit, and are under intense scrutiny by the media and the public. If there is a need to make any change or update to this process and procedure, it is practice to carry such changes by involving the Portfolio Management and Seaport Lease and Asset Management leaders and other interested Port staff, so that all concerns are addressed and changes are properly made through the Port's approval process.

This process and procedure manual does not intend to conflict with the Real Estate Policies and Procedures adopted by the Port of Seattle Commission. If there is conflict, the intent of the adopted Port Commission Policies and Procedures will be followed.

1.2 Scope

This process and procedure applies to all staff persons (collectively, "the Property Manager") executing agreements on behalf of the Port.

1.3 References

The Real Estate Policies and Procedures, and Resolution No. 3605, updated by Resolution 3628, adopted by the Port of Seattle Commission are located on the Port's Compass page:

<http://compass.portseattle.org/corp/legal/Pages/PoliciesandProcedures.aspx#re>

Resolution No. 3605, updated by Resolution 3628 – A Resolution of the Port Commission of the Port of Seattle repealing Resolution No. 3181, and restating the master policy directive on the role and responsibilities of the Port of Seattle Commission and the administrative authority of the Chief Executive Officer and his/her designees.

RE-1 Policy – General Lease, Concession Agreement, Operating Agreement, and License Agreement Policy.

RE-1 Procedure – Month-to-Month Agreements, Concession Agreements, and Operating Agreements

RE-2 Policy – Strategic Real Estate Policies Regarding Acquisition, Use and Disposal of Real Property

RE-2 Procedure – Term Agreements, Concession Agreements, Operating Agreements, and License Agreements

RE-3 Procedure – Aquatic Land Leases

RE-4 Procedure – Acquisition and Sale of Any Interest in Real Property

RE-5 Procedure – Commission to Real Estate Brokers for the Acquisition, Sale or Lease of Port Real Property

RE-6 Procedure – Real Estate Financial/Benefits Guidelines for Major Transactions

Revised Code of Washington (RCW) – the compilation of all permanent laws now in force. It is a collection of Session Laws (enacted by the Legislature, and signed by the Governor, or enacted via the initiative process), arranged by topic, with amendments added and repealed laws removed. Title 53 RCW pertains to Port Districts. Link to RCW website: <http://apps.leg.wa.gov/rcw/>.

1.4 Inquiries

These processes and procedures are located in the Property Manager's Dashboard on the Portfolio Management SharePoint Site. Please direct all inquiries about this process and procedure to the Portfolio Management's Lease Administration Supervisor.

2. General Office Procedures

The Property Manager will observe general office procedures that are common throughout the Port. These include, but are not limited to, the following:

2.1 Signed Documents

Official agreement copies and original documents of record will reside in Accounting, and a copy of all agreements and work files will reside in the Portfolio Management Department. File requests from internal Port staff outside of Real Estate and Seaport Divisions, will be handled by the Property Manager, with the support of the Lease Administration Specialist or other support staff, when appropriate.

2.2 Boilerplate Templates

The Property Manager will use the agreement boilerplate templates located in the Property Managers Dashboard folder in the Portfolio Management's SharePoint site. All templates referred to herein will reside in the Property Manager's Dashboard SharePoint Site.

2.3 File Documents

The Property Manager will retain those documents referenced in section 3.5 below, Documenting Agreement Decisions, in the corresponding agreement file.

3. Agreement Process

In conjunction with the Real Estate procedures (RE-1 to RE-6) and Resolution No. 3605, updated by Resolution 3628, the Property Manager must follow the following set of procedures to accomplish a given task related to leasing.

3.1 Commission Approval

The Property Managers will follow Resolution No. 3605, updated by Resolution 3628, or consult with Legal Counsel on requirements for Commission approval.

The Property Manager will follow the Real Estate policies and procedures RE-1 to RE-6, and the commission approval process established by the Commission office.

3.2 Market Rates

The Property Manager will work to achieve market rates for Port properties and at all times follow the Real Estate policies and procedures RE-1 to RE-6. The Property Manager will review market information on a regular basis during annual business planning process, during quarterly reviews, as vacancies open up, and/or during specific agreement negotiations as appropriate.

The Property Managers will use a multi-layered approach to determine what to charge for leasable area in each portfolio. At minimum, the multi-layered approach will include at least one of the following:

- Researching market listings of similar types of properties for comparison purposes.
- Contacting area brokers to determine the current market rental rate range for similar properties being offered or recently encumbered.
- Hiring an Appraiser or Real Estate Consultant to complete an appraisal and/or opinion of value.

The Property Manager will use the standard Agreement Analysis Template (attached as **Appendix B**), which will document the current market environment of all agreement decisions, including the use of base rental rate escalations over the specified term. Accordingly, depending on the then current market environment, rental rates over a term can be in the form of fixed stepped increases, periodic Consumer Price Index increases, periodic market rate adjustments, and/or other rent increases as negotiated with new property users. If market conditions justify or indicate a fixed rental rate as being appropriate, the agreed upon rate cannot exceed a term of five (5) years unless approved by the Port of Seattle Commission.

Because market rates are captured in a range, rather than a specific amount, opinions can vary about an appropriate agreement rate for a property. In addition, many variables affect the agreement or market rate for a specific property. For example, the Port's cargo terminals are subject to the blended container terminal rate, which is uniformly applicable to all container terminal agreements. The remaining Seaport properties are, however, part of the larger Seattle industrial market. Accordingly, when the Property Manager completes market evaluations for the purposes of an agreement negotiation, the comparable properties considered will not be limited only to existing Port properties, but also to the privately owned competing properties in the marketplace. The marketplace properties are the properties that Port customers and prospective property users are using as a comparison.

The resulting rates are subject to many variables, including the following:

- Overall economic conditions at the time of the agreement.
- Market conditions and timing (vacancy/occupancy rates).
- Availability of comparable and/or competing properties at the specific time.
- Ability to approve a specific agreement term (some facilities are limited to shorter-term agreements, which make them less attractive when compared to other available properties).

- Property or facility characteristics, such as the age, condition, and functionality of the property.
- Maintenance responsibility (landlord vs. tenant).
- Property access restrictions, including the security access restrictions associated with some maritime facilities.
- The Port's overall strategy to maintain high occupancy rates and net income, avoiding the possible high cost of vacancies, remarketing, and other new agreement transaction costs.
- The Port's overall strategy to facilitate businesses and uses that support the Seaport's core business, and support industrial businesses which create family-wage jobs.
- Leasehold tax (currently 12.84%), collected in lieu of property tax, is computed as an addition to base rent, collected by the Port and then passed to the state. Competing properties may or may not reflect an allowance for real estate property tax in any quoted base rent.
- Shoreline Management Act, and related Endangered Species Act requirements.
- Tribal fishing rights.

When appropriate, the Property Manager may complete periodic "independent benchmark" rental value determinations for port-specific properties as directed by the Division Managing Director or delegate. This practice should enhance and validate the Port's leasing practices and increase overall transparency, particularly when agreements are brought to the Port commission for approval. Additionally, this process will improve agreement file documentation of negotiated rates and terms, including the justification or rationale for other agreement terms.

The Property Manager may use online resources, such as CoStar, Commercial Brokers Association, and other real estate market resources, to obtain market rate comparables. See **Appendix C** for an example of comparables.

3.3 New Agreements

Agreement negotiations are normally undertaken by the Property Manager, and as directed by a Seaport or Real Estate Division Managing Director, or delegate.

All proposals will be contingent on the following activities being completed at some point in time during the negotiation/agreement preparation and execution process:

- The Property Manager will review current Strategic Asset Management plan for each property to determine property availability.
- The Property Manager will review offer from a prospective or current Port property user.
- The Property Manager will review property user's credit history.
- The Property Manager will prepare a Term Sheet or Letter of Intent (See **Appendix A**).
- The Property Manager will prepare the Agreement Analysis Template (**Appendix B**), and any other documents required for a new agreement.
- The Lease Administration Specialist creates a work file at the request of the Property Manager, which contains a draft agreement, drafts of transmittal correspondence, and Commission Agenda memo or staff memo as applicable.
- The Property Manager coordinates with Port Counsel and other internal

department's approval for all agreements consistent with the Port's policies and procedures RE-1 to RE-6.

- Concurrently with the review of the draft agreement document, the Property Manager completes a draft Commission Agenda memorandum (or staff Agreement Execution Request memo if Commission action is not required). See **Appendix C** for sample Agreement Execution Request memo in the Agreement Analysis Template.
- If the agreement is to be signed by Port staff, documents will be routed with memo to the applicable Division Managing Director or delegate. All agreements will be signed and approved according to Resolution No. 3605, as updated by Resolution 3628, and the current Schedule of Redelegated Authority.
- The prospective property user should return the signed agreement to the Port prior to the Commission meeting whenever possible. If the agreement is not signed prior to Commission approval of the agreement, the Property Manager must follow normal procedure and have the document signed prior to the Port's signature.
- All new property user should provide all other documentation (insurance, surety, environmental reports, etc.), as outlined in the agreement document, prior to the Port's signature.
- The agreement documents will be returned to the Lease Administration Specialist for final distribution and final entry into the real estate agreement management system after the agreement is fully executed.

3.4 Marketing Vacant Properties

The Property Manager will use a variety of methods to market vacant properties. While taking advantage of the visibility provided by our the Port of Seattle website, the Property Manager may also use signs advertising available properties, real estate listing services, as well as direct calls to customers and those who have expressed interest in leasing port properties. The Request for Proposal (RFP) process will be used when appropriate.

Long-term agreements for Port properties with terms of ten (10) years or more may require a competitive procurement process such as an RFP and Commission approval.

3.5 Documenting Agreement Decisions

After the Port and the other party execute the agreement, the Property Manager will retain the following documents in the corresponding agreement file.

Agreements that are for temporary use or access, e.g. temporary license agreement, hold harmless, or non-revenue agreements, will not require an Agreement Analysis Template or a Term Sheet.

All term agreements, which do not require Commission approval, will require the following documents retained and filed in their corresponding file:

- Term Sheet or Letter of Intent: Appendix – A
- Sample Lease Comparables: Appendix – C
- Agreement Analysis Template (includes Agreement Execution Request): Appendix – B

4. Appendices

4.1 Appendix A – Term Sheet/Letter of Intent

SAMPLE TERM SHEET/LETTER OF INTENT

Each deal is different. Revise the captions of this letter as needed.

DATE

NAME AND ADDRESS

Dear _____:

Thank you for your application for lease at _____. In response to your inquiry, the following will outline the specific terms the Port is willing to offer for lease.

1. **Premises**
2. **Use**
3. **Term**
4. **Lease Rate**
5. **Security Deposit**
6. **Utilities and Maintenance**
7. **Port Improvements**
8. **Environmental and Clean-up Issues**
9. **Effect of Letter**

This letter is only a list of proposed points that may or may not become part of an eventual lease. It is not based on any agreement between the parties. It is not intended to impose any obligation whatsoever on either party, including without limitation an obligation to bargain in good faith or in any way other than at arms' length. The parties do not intend to be bound by any agreement until both agree to and sign a formal written lease, and neither party may reasonably rely on any promises inconsistent with this paragraph. This paragraph supersedes all other conflicting language in this letter. The parties may withdraw from further negotiations at any time and for any reason.

If you have any questions or comments on any of the foregoing please feel free to contact me at (206)787-_____. This letter of interest expires on _____.

Sincerely,

Port of Seattle

ACKNOWLEDGED:

(Property User's Name) _____
By _____
Title _____
Date _____

4.2 Appendix B – Agreement Analysis Template

Tenant N/A	Scenario Name	Scenario Description	NPV	\$0	Discount Rate
Location N/A	Occupancy Status	Agreement Type	IRR	N/A	CPI Assumption
Building / Floor N/A	Analysis Start Date	Lease Start Date	MIRR	N/A	Revenue
Suite/Space	Analysis Term	Lease Term	Payback	1	Expenses
SF	Analysis End Date	Lease End Date	Net Effective Rent	\$0.00	Capital
			Equivalent Level Rent	N/A	Net Income
	N/A	N/A			\$0

Base Rent Schedule								
Steps	Start Month	Start Date	End Month	End Date	Annual PSF	CPI Increase	Monthly	Annual
1	1	1/0/1900		1/0/1900		N/A		
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Abated Base Rent		
	Month	Amount
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Other Rent Credit		
	Month	Amount
1		
2		
3		
4		
5		

Total Lease Concessions		
	Total	PSF
Rent Concessions		
Abated Rent	\$0	\$0.00
Rent Credit	\$0	\$0.00
Total Rent Concessions	\$0	\$0.00
Tenant Improvements		
TI Expensed	\$0	\$0.00
TI Capitalized	\$0	\$0.00
Total Tenant Improvements	\$0	\$0.00
Lease Commissions		
Inside Broker Commissions	\$0	\$0.00
Outside Broker Commissions	\$0	\$0.00
Total Lease Commissions	\$0	\$0.00
Other Lease Costs		
Expensed	\$0	\$0.00
Capitalized	\$0	\$0.00
Total Other Lease Costs	\$0	\$0.00
Total Lease Concessions	\$0	\$0.00

Other Rent Schedule								
Steps	Start Month	Start Date	End Month	End Date	Annual PSF	CPI Increase	Monthly	Annual
1	1	1/0/1900		1/0/1900		N/A		
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Inside Broker Commission				
\$/SF/YR		Total Commission		
		\$0		
% of Total Lease		Payment Detail		
Base Rent		% of Total	Month	Cap/Exp
Abatement				Payment
Credit				\$0
Other Rent				\$0
Opex Reimb				
Opex Recoverable				

Outside Broker Commission				
\$/SF/YR		Total Commission		
		\$0		
% of Total Lease		Payment Detail		
Base Rent		% of Total	Month	Cap/Exp
Abatement				Payment
Credit				\$0
Other Rent				\$0
Opex Reimb				
Opex Recoverable				

Tenant Improvements			
	Cap/Exp	Month	Amount
1			
2			
3			
4			
5			

Other Capital / Expenses				
	Description	Cap/Exp	Month	Amount
1				
2				
3				
4				
5				

Operating Expense Assumptions	
Expense Reimbursement	
Recoverable Expenses per SF	\$0.00
Non-Recoverable Expenses per SF	\$0.00
Expenses while Vacant	\$0.00
Expense Inflation	N/A

Tenant N/A	Scenario Name <input type="text"/>	Scenario Description <input type="text"/>	NPV \$0	Discount Rate <input type="text"/>
Location N/A	Occupancy Status <input type="text"/>	Agreement Type <input type="text"/>	IRR N/A	CPI Assumption <input type="text"/>
Building / Floor N/A	Analysis Start Date <input type="text"/>	Lease Start Date <input type="text"/>	MIRR N/A	Revenue \$0
Suite/Space <input type="text"/>	Analysis Term <input type="text"/>	Lease Term <input type="text"/>	Payback 1	Expenses \$0
SF <input type="text"/>	Analysis End Date N/A	Lease End Date N/A	Net Effective Rent \$0.00	Capital \$0
			Equivalent Level Rent N/A	Net Income \$0

Base Rent Schedule								
Steps	Start Month	Start Date	End Month	End Date	Annual PSF	CPI Increase	Monthly	Annual
1	1	1/0/1900		1/0/1900		N/A		
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Abated Base Rent		
	Month	Amount
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

Total Lease Concessions		
	Total	PSF
Rent Concessions		
Abated Rent	\$0	\$0.00
Rent Credit	\$0	\$0.00
Total Rent Concessions	\$0	\$0.00
Tenant Improvements		
TI Expensed	\$0	\$0.00
TI Capitalized	\$0	\$0.00
Total Tenant Improvements	\$0	\$0.00
Lease Commissions		
Inside Broker Commissions	\$0	\$0.00
Outside Broker Commissions	\$0	\$0.00
Total Lease Commissions	\$0	\$0.00
Other Lease Costs		
Expensed	\$0	\$0.00
Capitalized	\$0	\$0.00
Total Other Lease Costs	\$0	\$0.00
Total Lease Concessions	\$0	\$0.00

Other Rent Credit		
	Month	Amount
1		
2		
3		
4		
5		

Other Rent Schedule								
Steps	Start Month	Start Date	End Month	End Date	Annual PSF	CPI Increase	Monthly	Annual
1	1	1/0/1900		1/0/1900		N/A		
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Inside Broker Commission				
\$/SF/YR		Total Commission		\$0
% of Total Lease		Payment Detail		
Base Rent		% of Total	Month	Cap/Exp
Abatement				\$0
Credit				\$0
Other Rent				\$0
Opex Reimb				
Opex Recoverable				

Outside Broker Commission				
\$/SF/YR		Total Commission		\$0
% of Total Lease		Payment Detail		
Base Rent		% of Total	Month	Cap/Exp
Abatement				\$0
Credit				\$0
Other Rent				\$0
Opex Reimb				
Opex Recoverable				

Tenant Improvements			
	Cap/Exp	Month	Amount
1			
2			
3			
4			
5			

Other Capital / Expenses				
	Description	Cap/Exp	Month	Amount
1				
2				
3				
4				
5				

Operating Expense Assumptions	
Expense Reimbursement	
Recoverable Expenses per SF	\$0.00
Non-Recoverable Expenses per SF	\$0.00
Expenses while Vacant	\$0.00
Expense Inflation	N/A

Asset Information

Location	<input type="text"/>		Valuation		<input type="text"/>
Building / Floor	<input type="text"/>				
Org	<input type="text"/>				
Subclass	<input type="text"/>				
Property Size (sf)	Vacant	Leased	Total	Leased %	Reinvestment Rate
Submerged Land	<input type="text"/>	<input type="text"/>	0	N/A	Finance Rate
Land	<input type="text"/>	<input type="text"/>	0	N/A	Budgeted Annual Operating Expenses
Buildings	<input type="text"/>	<input type="text"/>	0	N/A	Recoverable Opex
Total	0	0	0	N/A	Non-Recoverable Opex
					Opex while Vacant
					Expense Inflation

Tenant Information

Tenant Name	<input type="text"/>	First Contact	<input type="text"/>
Type of Business	<input type="text"/>	Projected Lease Signed	<input type="text"/>
Primary Contact Name	<input type="text"/>		
Primary Contact Phone	<input type="text"/>		
Primary Contact Email	<input type="text"/>		

Tenant Credit

Financial Review	<input type="text"/>	Credit Comment <input type="text"/>
Credit Concern	<input type="text"/>	
Security Deposit	<input type="text"/>	
Letter of Credit	<input type="text"/>	
Lease Guarantee	<input type="text"/>	
Other Security	<input type="text"/>	

Broker Information

	Port Broker		Tenant Broker
Company Name	<input type="text"/>	Company Name	<input type="text"/>
Phone	<input type="text"/>	Phone	<input type="text"/>
Email	<input type="text"/>	Email	<input type="text"/>

Market Information

Market Leased % As of

Market Comment

Background & Prior Action Summary

Other Notes



Annual Cash Flow

Prepared By:
Date: 4/26/2011

Tenant Location Building / Floor Suite/Space SF	Scenario Name Analysis Start Date Analysis Term Analysis End Date	Scenario Description Lease Start Date Lease Term Lease End Date
NPV	Payback	Discount Rate
IRR	Net Effective Rent	CPI Assumption
MIRR	Equivalent Level Rent	

Annual Cash Flow	NPV	Nominal	Year 1
<u>Revenue</u>			
Base Rent			
Base Rent Abatement			
Other Rent Credit			
Additional Rent			
Opex Reimbursement			
Total Revenue to Port			
<u>Expenses</u>			
Opex Recoverable			
Opex Non-Recoverable			
Opex Vacant			
Tenant Improvements Expensed			
Lease Commissions Expensed			
Other Expenses			
Total Expenses			
<u>Capital</u>			
Tenant Improvements Capitalized			
Lease Commissions Capitalized			
Other Capital			
Total Capital			
<u>Net Cash Flow</u>			

4.3 Appendix C – Sample Lease Comparables

Commercial Real Estate For Sale or Lease Properties on SHOWCASE.COM

Search Results



Powered by **SHOWCASE.COM**

	<p><u>2307 1st Avenue Pomeroy 2</u> King County Seattle, WA 98121</p> <p>Retail</p>	<p>5,888 SF Building Built in 1902</p>	<p>For Lease 1,100-1,500 SF Avail \$19.00</p>	<p>Jeremy Moller  (206) 859-4500  JSH Properties, Inc. (425) 455-0500</p>
-----------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------	--------------------------------------------	--------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>2001 Western Avenue Market Place II</u> King County Seattle, WA 98121-2163</p> <p>Office / Retail</p>	<p>46,752 SF Building Built in 1981 2 Parking Spaces / 1,000 SF</p>	<p>For Lease 1,034 SF Avail \$35.00</p>	<p>Jeremy Moller  (206) 859-4500  JSH Properties, Inc. (425) 455-0500</p>
-----------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>2201 6th Avenue Blanchard Plaza</u> King County Seattle, WA 98121-1857</p> <p>Office / Retail</p>	<p>256,432 SF Building Built in 1983 .62 Parking Spaces / 1,000 SF</p>	<p>For Lease 1,017-17,368 SF Avail \$24.00 - \$25.00</p>	<p>Cleita Harvey  (206) 315-0625  Lisa Stewart  (206) 622-1480  Urbis Partners (206) 622-5560</p>
-------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------	-------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>2505 2nd Avenue Legacy Centre</u> King County Seattle, WA 98121-1452</p> <p>Office / Retail</p>	<p>68,212 SF Building Built in 1989 1 Parking Spaces / 1,000 SF</p>	<p>For Lease 1,673 SF Avail \$23.00</p>	<p>Jeremy Moller  (206) 859-4500  JSH Properties, Inc. (425) 455-0500</p>
-------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>2107 Elliott Avenue Elliott Court</u> King County Seattle, WA 98121-2186</p> <p>Office</p>	<p>47,265 SF Building Built in 1990 1 Parking Spaces / 1,000 SF</p>	<p>For Lease 1,560 SF Avail \$21.00</p>	<p>Boris Castellanos  (206) 441-9191 x812  Allegra Properties (206) 441-9191</p>
-------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

	<p><u>123 2nd Avenue N Axis</u> King County Seattle, WA 98121</p> <p>Multi-Family / Retail</p>	<p>169,369 SF Building Built in 2008</p>	<p>For Lease 1,026 SF Avail \$24.00</p>	<p>Monica A Wallace  (425) 455-9976  Louis Wenger (425) 455-9976  Wallace Properties, Inc. (425) 455-9976</p>
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	<p><u>2003 Western Avenue Market Place I</u> King County Seattle, WA 98121-2161</p> <p>Office / Retail</p>	<p>84,390 SF Building Built in 1981 2 Parking Spaces / 1,000 SF</p>	<p>For Lease 1,162-5,132 SF Avail \$28.00</p>	<p>Jeremy Moller  (206) 859-4500  JSH Properties, Inc. (425) 455-0500</p>
-------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------	--------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

SAO AUDIT RECOMMENDATION 7: To better safeguard its assets and income related to the Seaport's leased cranes, we recommend the Commission revise its procedures to require Port staff to:

- Verify that reported container crane use is accurate. The most practical verification method is to periodically compare longshoreman/operator use data with data reported by the operator through the Seaport Division's Crane billing system.
- Inspect the cranes annually. The Port should consider hiring or contracting for crane specialists to do the inspections if it determines that reprioritizing the current staff's workload will not enable it to do so with current staff.
- Audit crane logs, reports and records of maintenance performed.

Port of Seattle Action Status to Recommendation 7, Crane Billing:

The port is currently updating the automated crane billing process and will use that opportunity to implement additional audit procedures as recommended by the auditors.

Port crane tariffs differ depending on the container terminal. For Terminal 46, the tariff is based upon reported twenty-foot equivalent (TEU) units. For Terminals 5 and 18, the tariff is based upon hours of use. As such, two different methods will be employed.

The port is in the final stages of implementing its Marine Terminal Information System (MTIS). This is a much more robust reporting and customer billing system. A new important feature will be the assignment of a unique identification number used by the terminal operator for inputting data. This unique identifier will allow the port to verify when and by whom the data was input.

The port will assign a specific Seaport employee for audit purposes. Each quarter, a randomly chosen ship at each terminal will be audited. The frequency of the checks may change based on compliance. Audit files will be kept for SAO review.

Terminals 5 and 18: At Terminals 5 and 18, the port will follow the SAO's recommendation to compare longshore data to the terminal operator's report. During load/unload operations, a longshore clerk logs the box moves per crane per shift. The log is then handed in to the terminal operator for entry into the crane billing system.

In that the longshore clerks at these terminals are employed by the Pacific Maritime Association and not the terminal operator, the port feels that this independent source serves as a good validity check to the terminal input.

Terminal 46: At Terminal 46, the port receives daily vessel schedule updates from the terminal. Within the schedule are anticipated box moves. Loaded and unloaded are aggregated to a single number. This pre-arrival information is not entirely accurate as requests to accommodate empty containers can be made at the last minute. The pre-sail and post-sail data can differ by 100 TEUs. Post-sailing data includes exact figures.

The port will use the post-sailing data and compare it to reported TEU figures in the crane billing system.

Port of Seattle Action Status to Recommendation 7, Crane Inspection:

Regulatory Inspections

Annual regulatory inspections of the containers cranes will continue to be conducted by the port, utilizing an Accredited Crane Certifier in accordance with the Washington Administrative Code

(WAC) 296-56-60093, Certification of Marine Terminal Material Handling Devices. The annual certifications inspect all major crane systems and components and ensure the cranes are in satisfactory condition.

The inspections are documented on the Crane/Derricks work sheet (F416-051-001). Any non-conformance or failures found during the certification inspection are noted on Notice of Deficiencies form (F416-054-000). Corrections of the deficiencies are required before certification is issued. A copy of the Crane Certification forms will be maintained in a centralized location.

Lessee Maintenance

The maintenance procedures for the cranes differ slightly depending upon the manufacturer. As a general rule, cranes receive routine maintenance at regular intervals ranging from daily, weekly, monthly, quarterly, semi-annually to annually, depending on the work performed.

Currently, the three individual lessees have separate practices and procedures for performing and recording these various maintenance functions. A standardized reporting log has been developed for lessees, and they will update these logs as maintenance and inspections are performed. Lessees will be asked to submit an updated log on a quarterly basis. The Lessee Quarterly Maintenance Log will be filed in the same location as the crane certification reports.

Port Inspection and Maintenance Audit

The port will conduct non-regulatory inspections on the individual cranes on a periodic basis. These inspections will utilize the Port Inspection Form and focus on items not typically covered in the annual inspection, such as preventative maintenance, paint, and general housekeeping. The crane maintenance records and reports will be reviewed and compared to the maintenance log information at this time as well.

A three-year cycle will be established for crane inspection and records review. For the 17 port cranes, this schedule means that two cranes will be inspected from each of the three terminals per year, except for Terminal 46, which has five cranes and will have only one crane inspected during one of the cycles. These inspections will be documented on the port inspection form. Any deficiencies identified during the inspection or the record review will be documented and reviewed with the Lessee for correction. The Port Inspection Form and any deficiency documentation will be filed with the other crane documents.

SAO AUDIT RECOMMENDATION 8: To better safeguard its billings and receipts at the Fishermen's Terminal, we recommend the Port:

- Segregate duties to ensure the same employees cannot enter customers, make adjustments to customer accounts, and receipt payments from customers in MMS.
- Require supervisory review of adjustments to customer accounts in the MMS that affect billing rates.
- Restrict access to make adjustments and apply payments to customer accounts to employees who need it as part of their regular job duties. The Port has reports containing vessel length and moorage classification for use when reviewing billing information for accuracy.

Port of Seattle Action Status to Recommendation 8:

Completed. Fishermen's Terminal operates 24 hours a day, seven days a week, and due to the nature of the commercial fishing business, sometimes customers and tenants need to pay bills or conduct other business outside of regular business hours. Because of this, several staff members need to perform key customer service tasks. Nevertheless, in light of auditor recommendations, and pursuant to a port internal audit of Fishermen's Terminal for the operating period 2008 and 2009, the port segregated duties where possible, supervisory review has been strengthened, and system access has been restricted. All Fishermen's Terminal staff will retain the authorization to receive payments due to the nature of the commercial fishing business.

However, no more than three staff members will have the ability to make adjustments to accounts in MMS and all changes to customer accounts in MMS, including those that affect billing rates, are being reviewed manually on a monthly basis by Fishermen's Terminal management. Furthermore, only those employees who adjust and apply payments to customer accounts as part of their regular job duties have access, as well as staff members in the Accounting & Financial Reporting (AFR) and Information & Communications Technology (ICT) departments. Vessel length and moorage classification has been added to MMS/billing reports and is being used when reviewing billing information for accuracy. In addition, possible changes to the Marina Management System (MMS) will be reviewed by ICT and Fishermen's Terminal management.

SAO AUDIT RECOMMENDATION 9: We recommend the Port revise its policies and procedures to establish and enforce safeguards against inappropriate spending. The revised procedures should:

- Limit funding of Port Jobs to programs that are clearly within its legal authority as stated in the 2010 legislation.
- No longer require construction companies to contribute to Port Jobs as part of their construction contracts.
- Ensure its agreements to clearly identify the scope of work and all related deliverables.
- Require Port Jobs and its partners to document all deliverables have been provided before payments are made.
- Disclose to the Port Commission the nature and value of all in-kind support to Port Jobs or other nonprofit organizations. These amounts should be reflected in the Port's agreements with these groups.
- Disallow any organization to operate from Port facilities unless an agreement is in place authorizing them to do so.

Port of Seattle Action Status to Recommendation 9:

Completed. In early 2010, the Washington State Legislature passed legislation clarifying the port's ability to participate in programs such as Port Jobs. The new contract with Port Jobs is clear about the scope of work expected and reflects all in-kind support, and the port's Office of Social Responsibility (OSR) is administering the contracts accordingly. On new construction contracts, companies are no longer required to contribute 20 cents per hour toward the pre-apprenticeship program which was designed to develop a workforce skilled in the trades.

SAO AUDIT RECOMMENDATION 10: We recommend the Port Commission clarify and enforce policies on loss reporting to ensure compliance with state law.

Specifically, the Commission should:

- Amend current Port policies to require all departments to report all known or suspected losses to executive management, the Port's internal auditor and the State Auditor's Office. The policy also should require the Port Police Department to check with these parties to ensure they have been notified when losses are reported to that Department.
- Monitor compliance with Port policies to ensure they are followed.
Use a standard loss reporting form to notify executive management, the internal auditor and the State Auditor's Office.

Port of Seattle Action Status to Recommendation 10:

Completed. In collaboration with the Port's Internal Audit, Legal, Risk Management, Information Technology, and Police departments, the Workplace Responsibility Office has streamlined reporting, communication and documentation procedures. The procedures have been implemented and pertinent sections will be incorporated into a revised edition of the Port's Code of Conduct, which all Port employees will again be required to read and sign in the fourth quarter of 2011. The Workplace Responsibility Office will monitor compliance with the procedures. The Port uses a standard loss reporting form to notify the SAO.