

# Economic Development Division 2020 Business Plan

**Create quality jobs in King County and across the state by advancing trade and commerce, promoting manufacturing and maritime growth, and stimulating equitable economic development**

## **VISION:**

The Port's Economic Development Division will help meet regional need for aviation and maritime services, while increasing economic opportunities in all communities we serve. The Economic Development Division will implement initiatives that drive regional economic vitality while advancing equity, diversity and inclusion:

- Develop and promote Port business opportunities for WMBE, Veteran, LGBTQ, and other disadvantaged businesses;
- Implement equity focused workforce development initiatives that support the Port's key sectors (e.g. Aviation, Maritime and Construction);
- Increase international and domestic visitor traffic to the region through targeted tourism promotion;
- Develop real estate projects that support the Port's key industries and create quality jobs;
- Manage port properties effectively (including the Port's Pier 69 Headquarters); and
- Build partnerships that advance innovation and economic development.

## **2020 DIVISION GOALS:**

### **Diversity in Contracting**

- Implement outreach and technical assistance programs to support Diversity in Contracting (DC) and Airport Disadvantaged Business Enterprise programs; and
- Help divisions and departments establish 2020 Diversity in Contracting WMBE utilization goals.

### **Workforce Development**

- Manage Port Jobs' airport employment center and employment continuity pool in partnership with ADR;
- Implement aviation career pathway training initiative;
- Manage construction trades training and worker retention initiatives with Urban League, Ironworkers JATC, and ANEW; and
- Implement and manage career connected learning initiatives in maritime and aviation.

### **Tourism and Economic Development Partnerships**

- Manage Economic Development and Tourism grant programs (including Spotlight airport advertising);
- Implement cooperative marketing and promotional efforts in countries identified to have strong Alaskan cruise demand, and "cruise -and-stay" potential (UK/Ireland, Mainland Europe, China, Australia, New Zealand etc.); and
- Implement maritime innovation initiatives and identify permanent location for innovation center

### **Real Estate Development and Asset Management**

- Complete modernization of Bell Harbor International Conference Center
- Maintain 94% occupancy in Economic Development and Maritime properties
- Finalize T106 ground lease and initiate ground lease RFPs for CEM and Des Moines Creek West
- Initiate design work for Terminal 91 Uplands development. Complete 30 percent design work for the Fishermen's Terminal Gateway building and Maritime Innovation Center / Seattle Ship Supply building
- Manage Pier 69 Headquarters facility and make needed investments to sustain this key asset

## **DIVISION DESCRIPTION:**

The division is comprised of the following six business and service groups:

### **Real Estate Development and Planning**

The Port owns hundreds of acres of property that can be developed to advance the Century Agenda. Thoughtful development of these properties can create quality jobs, support aviation and maritime industries and generate tax revenues for local government partners.

In a supportive role, the Real Estate Development team is a thoughtful steward and advocate for the environmental, aviation and maritime divisions. We leverage our real estate land holdings to promote job growth, community development and sustainability.

With the exception of housing, the Port's Real Estate portfolio is made up of every major commercial real estate product type. From raw land to light industrial to specialty retail, the Real Estate Development and Planning team facilitates the development of properties to maximize their highest and best use. The team also identifies and evaluates new property acquisition opportunities and provides counsel to other divisions regarding real estate management and development.

### **Portfolio and Asset Management**

The purpose of the Portfolio and Asset Management Department is to strategically position the Economic Development and Maritime Divisions' diverse portfolios of commercial and industrial real estate assets to achieve positive return on the public's investment through effective asset management with a focus on Maritime and industrial uses. The team works to ensure compliance with all legal, financial, and regulatory aspects of public entity ownership while respecting the environment and aligning with the Port's Century Agenda.

Portfolio and Asset Management manages leasing, marketing, and maintenance and planning for 4 million square feet of conference, office, retail, commercial, and industrial buildings and land and works to enhance the value of the Division's assets through strategic asset planning and repositioning.

Portfolio and Asset Management is organized into four groups:

#### **Central Harbor Management Group**

Central Harbor Management Group is responsible for Division assets located from Terminal 91 to Pier 2/CEM in West Seattle. This responsibility includes various retail, office and industrial properties, and the conference and event centers.

#### **Lease Administration and Utilities Group**

Lease Administration and Utilities Group processes and administers all agreements for both the Economic Development and Maritime divisions. This responsibility includes monitoring for compliance with all agreement terms including insurance, surety, lease provisions, and amendments. The team also reads meters, processes payments, and bills customers for over 255 utility meters.

#### **Foreign Trade Zone**

Foreign Trade Zone manages and markets the use of the Port's Foreign Trade Zone for the benefit of businesses that import/export goods from/to other countries.

#### **Maritime Real Estate Portfolio Asset Management**

Our team also manages the leasing, marketing, maintenance, and planning for Maritime Division landside real estate assets located from Terminal 91 to Shilshole Bay Marina and also includes Terminal 106. This management includes retail, office, industrial, warehouse, and land assets.

### **Diversity in Contracting**

The Diversity in Contracting (DC) department drives equitable economic development by supporting Women Minority Business Enterprises (WMBE) and Disadvantaged Business Enterprises (DBE). The DC staff conducts outreach and training to ensure that WMBE and DBE firms are aware and capable of responding to Port contracting opportunities. DC staff also helps Port divisions/departments set annual WMBE utilization goals and helps identify WMBE utilization opportunities and requirements for Port consulting, architectural and engineering and construction projects.

### **Workforce Development**

The Port's workforce development initiatives help sustain the Port's key sectors by ensuring robust and diverse talent pipelines. Our investments in PortJobs' airport employment office, construction trades pre-apprenticeship programs, the maritime youth collaborative and airport career connected learning efforts are helping to address critical industry workforce issues.

The Port's workforce development team operates with an equity lens; strategies, policies, programs and partnerships are designed to ensure that women and people of color, including youth, have equitable access to opportunities that come from the strong regional economy.

### **Tourism Development**

The Tourism department focuses on increasing the economic value of travel for King County and Washington State by leveraging the Port of Seattle's visitor assets (cruise terminals and Sea-Tac International Airport) as integral travel gateways.

Tourism Development operates two unique programs that enable statewide organizations to share their tourism destination marketing messages. Awards (grants) from the Tourism Marketing Support Program and the Sea-Tac Airport Spotlight Program afford DMOs, cities, and Chambers of Commerce (non-profits), the opportunity to reach domestic and international non-resident travelers to promote their unique destinations and events.

The department also partners with Visit Seattle, the Washington Tourism Alliance (WTA), and fellow destination marketing organizations (DMOs) to promote domestic and international leisure travel. With the increase in Sea-Tac Airport nonstop international flights and the strong growth of the Alaska cruise trade from Seattle, the Port's tourism team supports cruise tourism development in key identified overseas markets (UK, Ireland, Mainland Europe, Australia, New Zealand, and China) to increase cruise related travel expenditures in the Pacific Northwest.

### **Pier 69 Facilities Management**

The purchase and redevelopment of the Pier 69 site in the late 1980s has proven to be a visionary move that served as a catalyst for the major redevelopment which has since occurred along the central waterfront. Pier 69 is a unique facility and a great example of adaptive reuse; it was constructed in 1931 by American Can Company and was originally used as a salmon cannery warehouse. The vision of the project team transformed the neglected, massive concrete structure into the Class A office building that has now served the Port and our working waterfront tenants for more than a quarter-century.

Pier 69 Facilities Management ensures the functionality of the Pier 69 site by integrating people, place, process, and technology. Our mission is to provide, operate, and maintain a safe, secure, comfortable, effective, and efficient workplace.

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Facility management services include asset management, space management and planning, energy management, reception services, event coordination, mailroom/shipping/receiving, and administration of the site Commute Trip Reduction (CTR) program.

**Economic Development Administration**

The managing director, the economic development manager, and the assistant to the managing director provide general support to the division. This team also implements the Economic Development Partnership program and the Port's maritime innovation initiatives.

Economic Development Partnership Program

In 2016, the Port of Seattle established an economic development fund for King County cities to advance regional economic growth and the Port's Century Agenda. The Port's goals with the grant program are to facilitate growth in business, jobs and economic activity in participating municipalities. At the same time, the partnerships this program establishes will help advance the Port's strategic "Century Agenda" objectives by advancing business development, job creation, and community revitalization region-wide.

Maritime Innovation Initiative

The division helps lead the Port's efforts to advance maritime innovation and establish a maritime innovation center at Fishermen's Terminal. The economic development team coordinates innovation center advisory committee meetings, fact finding trips, and works closely with other government, education, and private partners to support and stimulate innovation that helps sustain the region's maritime industry.

**DIVISION SWOT Analysis Drives 2020 Goals, Metrics & Outcomes**

**REAL ESTATE DEVELOPMENT AND PLANNING**

**Market Analysis and Assessment:**

The vacancy rate in the industrial submarket in Seattle and surrounding areas is relatively low at 2.5% and the real estate market maintained the momentum seen in 2018, so vacancy continues to be near all-time historic lows. Despite a slight softening in vacancy and absorption, tenant activity is stable, and the majority of the industrial markets demonstrated rent growth. (JLL, Trends and Insights, Research industrial market statistics Q1 2019) This stability is a key driver for further industrial development. Research also shows E-commerce contributes 40% of industrial absorption in 2018 (Shaw Lupton, [slupton@costar.com](mailto:slupton@costar.com), Juan Arias, [jarias@costar.com](mailto:jarias@costar.com), March 29, 2018).

The Puget Sound regional industrial market sector continues to see a high level of leasing activity, and rents are seeing new peaks. Vacancy rates will continue to remain low. Construction activity is still robust, with a very active pipeline of new projects with multi-story warehouse design being the latest trend to capitalize on the last mile distribution market in SODO, Interbay and other close in areas. Economic forecasts point to a healthy regional economy and a strong regional industrial real estate market. For Port properties that fall within the various local clusters, rents are stable and industrial vacancy rates within those clusters are closer to 5%.

**Strengths:**

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- Market timing coupled with a continuum of stable industrial development demand.
- Strategically located properties along major waterways, near airport and industrial cargo transportation channels.
- Pro-development Port commission determined to add jobs, with a focused mission to improve our region by strategically leveraging our diverse real estate holdings.

**Weaknesses:**

- Port properties are usually encumbered with wetlands, brownfields, and other development limitations that require creative approaches towards redevelopment.
- Long development review timelines and related permitting complexities

**Opportunities:**

- Acquiring property to protect industrial lands and to potentially support Duwamish economic/equitable development initiatives
- Developing aviation properties to create economic and workforce development opportunities for residents in South King County
- Redeveloping Terminal 106 into a significant new property that supports the region's manufacturing and logistics industries
- Fishermen's Terminal redevelopment and the Terminal 91 Uplands development light industrial development projects can support maritime manufacturers and suppliers within the Interbay Manufacturing Industrial Center.
- Longer term development of a Maritime innovation center development at Fishermen's Terminal can help support and drive industry innovation.

**Threats:**

- Market factors, environmental regulations, and an unprecedented wave of commercial real estate technology innovations that change the way traditional assets are operated
- Political polarization and global uncertainty
- The real estate cycle in Seattle has been particularly long and as a result it is harder to predict when and if a slow down will impact the Port's industrial development projects

**Goals, Metrics and Outcomes**

- 1. Finalize ground lease with private partner to redevelop Terminal 106**  
Timing: Lease finalized Q2 2020  
Metrics: Jobs created, NOI generated, apprenticeship utilization
- 2. Initiate ground lease RFPs for CEM and Des Moines Creek West properties**  
Timing: CEM lease finalized by Q4 2020 – Des Moines Creek West lease finalized by Q3 2020  
Metrics: Jobs created, NOI generated, apprenticeship utilization
- 3. Initiate design work for Terminal 91 Uplands development and Master Plan**  
Timing: Design firm start (Q1 2020) - 30% design (Q4 2020)  
Metrics: Complete 30% design on proposed light industrial facilities in Port 5-year CIP
- 4. Determine location for Port Maritime Innovation Center**  
Timing: 60% design on Ship Supply building & FT Gateway buildings (Q2 2020)  
Metrics: Decision on Innovation Center location and State funding partnership formalized
- 5. Address access issues impacting Pier 2 redevelopment into maritime transportation hub**  
Timing: eliminate "tail track" issue by Q4 2020  
Metrics: Finalization of ground lease with King County by Q4 2020

## **PORTFOLIO AND ASSET MANAGEMENT**

### **Local Market Analysis and Assessment:**

The occupancy level of our Commercial and Industrial Properties is currently at 94% compared to our specific submarket benchmarks which have occupancy of 93-96%. We expect leasing activity to remain stable with current economic conditions. There will be 64,000+ SF of space turning over in 2020 and we expect to retain 90% of those tenants and backfill the rest to reach our occupancy goal.

At the same time, individual properties on the Central Waterfront and Duwamish will continue to wrestle with local challenges (e.g. transportation infrastructure projects) while increasing occupancy and maintaining market rates.

### **Strengths:**

- Properties located in desirable areas for maritime and industrial users
- Experienced Management team familiar with assets, market and tenants
- Real Estate Managers have created a Leasing Task Team to work collaboratively across all portfolios to address existing and anticipated vacancies.

### **Weaknesses:**

- Compliance with legal, financial, and regulatory aspects of public entity ownership of real property can result in having a less competitive edge vis-a-vis the private sector in the commercial real estate market. Contracting procedures, security deposit requirements, and limited flexibility in negotiations are constraints. These constraints might be reflected in lease rates toward the lower end of the market range and/or lengthier vacancies through missed opportunities at some properties.
- Locations of several properties within the portfolio provide only limited amenities such as public transportation, shopping, dining, etc.
- Improving operating efficiencies in properties with aging infrastructure and implementing energy conservation improvements will require forward planning and capital investment.

### **Opportunities:**

- The current real estate market remains relatively stable and is expected to continue to provide new opportunities for additional revenue.

### **Threats:**

- Potential economic downturn may affect growth of local businesses' need for space.
- There continues to be concern with local businesses that will be affected by the ongoing Viaduct Removal and Alaskan Way Street Improvement Projects. The perception in the market is that the disruption from the ongoing work construction currently underway on the waterfront will continue to negatively affect businesses along the entire waterfront for the next several years.

### **Goals, Metrics and Outcomes**

#### **1. Complete modernization of Bell Harbor International Conference Center**

Timing: Complete construction and resume operation

Metrics: Construction completed by end May 2020

#### **2. Maintain 94% occupancy for Economic Development and Maritime properties**

Timing: Reach targeted goal by end Q4

Metrics: Track progress toward goal in quarterly reports

**3. Complete initial design work on Fishermen’s Terminal Gateway Building**

Timing: Complete 90% design work on FT Gateway Building by end Q4

Metrics: Track progress on design

**4. Represent Port in negotiations with Customs and Border Protection regarding new CBP facility to be built by NWSA**

Timing: Final selection of site and construction/leasing approach selected by Q4

Metrics:

Four alternatives developed Q3 2019

Port terms developed for agreement between NWSA and Port Q3

Agreement drafted and socialized by end Q4

Final Selection by end Q4

**Conference and Event Centers**

**Market Analysis and Assessment:**

Bell Harbor International Conference Center (BHICC) has been a major success over the past twenty-three years. It has helped anchor Seattle’s waterfront revitalization, generated significant international interest in the region, contributed significant economic impacts to the region and become an asset that contributes to the Port’s bottom line.

The regional conference marketplace is rapidly evolving and multiple new and compelling event spaces are being introduced in Seattle, Bellevue and other nearby communities. Though our facility is iconic and enjoys the distinct advantage of a showcase position on the central waterfront, it is showing its age and the proposed refresh will help us maintain our high performance in the hospitality market. The proposed modernization project should resolve this issue.

Bell Harbor occupies a niche position in the local market as a mid-sized flexible event space. It is smaller and more intimate than the Washington State Convention Center (WSSC) and Century Link Field Event Center but larger than most large hotel conference venues. BHICC does not directly compete with the Convention Center and, in fact, fulfills an otherwise missing component for mid-sized flexible event space in the market.

In the long run, the upcoming WS Convention Center will create new opportunities for increased, large conventions that benefit Bell Harbor. In the short-term, the new hotel rooms created recently in anticipation of the WS Convention Center expansion have arrived a little early and often are attached to meeting space that can easily be offered as a loss leader for selling hotel rooms.

Our niche is still strong and the ongoing transformation of the Waterfront will only increase the distinction and desirability of our waterfront location and amenities.

**Strengths:**

- Iconic, niche facility in desirable locations
- Assertive yet prudent management team with deep experience in the market
- Cruise Terminal Expansion: The recent expansion of the Cruise related spaces at 66 creates a renewed opportunity to (continue to) market the larger spaces to an ever-expanding audience.
- Continued Investment: The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage our historical financial success and iconic heritage. Updating and refreshing Bell Harbor International Conference and Event Center and the World Trade Center Seattle will prepare us for the renewed regional and international interest.

**Weaknesses:**

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- Aging facilities: Updating and refurbishing aging infrastructure will require forward planning and continued capital investment.
- Schedule conflicts: Cruise related activity, which should receive priority from an economic impact perspective, often conflicts with selling and scheduling events. As cruise activity increases there is a corresponding negative impact on event sales.
- Parking capacity at Pier 91, Smith Cove Conference and Event Center is very limited and inconveniently located. Also, public transportation options to the site are limited.

**Opportunities:**

- Hotel room supply: With the significant increase in guest room supply, average room rates have dropped by approximately \$7 year to date. This provides an opportunity to bring conference and event business to the area which has been rate sensitive in the past. Leveraging partnerships with close by hotel properties has proven successful in some market segments which have previously skipped Seattle due to higher prices.
- Strong economy and growing appreciation of Seattle as a destination, hospitality businesses will thrive
- Planned expansion of WS Convention Center will bring increased, larger conventions that feed smaller venues like Bell Harbor.

**Threats:**

- Hotel room supply: Seattle is an increasingly popular destination and limited hotel room supply decreases the ability to leverage good rates for out of town conference business. This challenge has been off-set in the **near-term** (2019-2022) with the significant increase in guest room supply which has recently come on line in anticipation of the need for more inventory to support the Washington State Convention Center expansion now under construction and slated to open Summer of 2022 with the first signed contract in November of 2022.
- Competitive market: The expanding array of new supply now presents a different challenge; there are approximately 23 number of new “event venues” in the city/region offering event related space. To make matters worse, they will offer that event space at extreme discounts to fill their guest room inventory until the supply/demand balance is back on track.
- Refurbished event spaces: Additionally, there are several regional event facilities offering more space, flexibility, and modern amenities. A number of event space venues have recently opened or been remodeled (the Motif, the (Marriott) Renaissance Hotel, the Westin Hotel, the Chihuly Garden and Glass, the Conference Center at the Washington State Convention Center, and Museum of History and Industry).
- Increasingly short lead times in the market: There is a continuing trend toward “just-in-time” event planning and the shortening of lead time for events creates challenges in forecasting and logistics.

**Goals, Metrics and Outcomes**

**1. Support construction project closure while sustaining operations in expansion spaces (cruise terminal) and achieving our budget projections**

Timing: Meet first year budget projections by Q4

Metrics: Track progress of new business monthly, report quarterly

**PIER 69 FACILITIES MANAGEMENT**

**Market Analysis and Assessment:**

Our Pier 69 headquarters has now been in operation for more than a quarter-century. The beautiful location and facility have served the Port well, but the building is showing its age and will require significant investment over its second 25 years of service life.

A plan was developed in 2019 to guide the renewal, replacement, and modernization of major building systems through 2042. The plan outlines \$20-25 million of activity through 2027, \$1.5 million of which is stated below in goal #1. An additional \$20-25 million of activity is programmed from 2028 through 2042. This ongoing investment will be required to maintain the effectiveness, efficiency, and sustainability of our Class A office.

**Strengths:**

- The scenic waterfront location and elegant office space facilitate employee recruitment, retention, wellness, and engagement.
- The site has been well maintained and does not have a significant backlog of deferred maintenance.
- The site is energy efficient when benchmarked with similar building types.

**Weaknesses:**

- The operation, maintenance, renewal and replacement of aging building systems will require significant investment over the next two decades.
- Uncertainty regarding the service life of the concrete pier which is now 89 years old.

**Opportunities:**

- A recent appraisal indicated a \$100M value for the site.
- Creative thinking and partnerships to improve last-mile transit options.

**Threats:**

- There are limited last-mile transit options for commuters.
- The site is located in a liquefaction zone and would likely suffer severe damage during a major earthquake.
- Traffic congestion related to population growth may increase the difficulty of commuting and make the site less attractive.

**Goals, Metrics and Outcomes**

**1. Replace under-dock utilities**

(Sanitary waste system, domestic water supply system, and combination wet pipe & standpipe fire protection system.)

Timing: Design complete by Q4 2020. Construction complete by Q3 2021.

Metrics: Facility Condition Index (FCI)  $\leq$  .05.

(FCI measures the effectiveness of asset management, and is calculated by dividing the cost of deferred maintenance by the current replacement value of the facility. The industry benchmark for a well maintained facility is  $\leq$  .05.)

**2. Provide effective support for operations, functions, and events**

Timing: Ongoing – metrics are updated annually.

Metrics: Operations & Maintenance (O&M) cost per square foot, Percentage of Solid Waste Diverted from Landfill, Motor Pool Fleet Utilization, Motor Pool Fleet Expense per Mile, Percentage of Employees Who Commute via Single Occupancy Vehicles (SOV).

**3. Maintain Site Energy Use Intensity (EUI) at less than 55**

Timing: Ongoing – metrics are updated annually.

Metrics: Weather Normalized EUI is less than 55

(EUI provides historical energy use trends and benchmarking of energy efficiency with similar building types.)

## **DIVERSITY IN CONTRACTING**

### **Market Analysis and Assessment:**

The Economic Development Division helped create the new Diversity in Contracting (DC) program last year in an effort to expand equity, diversity, and inclusion within the Port and across the regional. More specifically, address contracting disparities which includes low women- and minority-owned businesses (WMBE) utilization results (e.g. .3% African American, .5% Hispanic, 1.1% Asian). While the Port is making progress on WMBE utilization, it still falls below performance at other public agencies. The Port will need to continue with robust outreach efforts combined with effective training for current and potential WMBE contracting partners.

Diversity in Contracting is a core program for advancing the 2020 Port-wide Goal of expanding equity, diversity and inclusion across the region. DC also drives regional and statewide economic vitality and inclusion by growing businesses owned by people from diverse backgrounds, increasing economic activity to historically under-utilized firms, and providing opportunities to WMBE firms that in-turn support communities through new hires and other benefitable economic activity.

The Port is becoming a leader in advancing inclusive procurement policies that support all firms within the Puget Sound Region.

### **Diversity in Contracting Strengths:**

- New program with new community WMBE excitement for future Port opportunities
- Changes within current Port contracting language which includes setting direct WMBE aspirational goals and inclusion plans as part of the solicitation.
- Deliberate and strategic outreach and marketing of opportunities in partnerships with WMBE community organizations
- U.S.DOT's Federal Disadvantage Business Enterprise program (DBE) provisions are very specific towards WMBE's utilization.

### **Diversity in Contracting Weaknesses:**

- Specific set-aside contracting for WMBE businesses only are still constrained by current state contracting laws (I-200) which may impact maximizing Port WMBE results.

### **Diversity in Contracting Opportunities:**

- Collecting, tracking, and reporting of ethnicity information as part of the DC reports
- Expanding training programs for WMBE and DBE businesses interested in contracting with the Port
- Leveraging limited Small Works provisions (RCW) to improve upon WMBE participation

- Expanded media, social networks, and promotion of DC program
- Support the expansion of WMBE businesses in fields lacking diversity

#### **Diversity in Contracting Challenges:**

- Accurate collection, tracking, and reporting of participation by ethnicity in Port business opportunities
- How to determine transparent, fair, and most effective changes to procurement policy and processes to create more opportunities for Minority, Woman, Disadvantage Business Enterprise, and Small Business Enterprise firms
- Reduce internal perceived barriers towards WMBE businesses (i.e. “they can’t perform”, “they are not big enough”, “this is specialized work”, “too risky”, “cost more”)
- Setting advanced WMBE goals for construction is difficult without historical utilization data.

#### **Goals, Metrics and Outcomes**

**1. Increase in ethnicity contracting utilization results, especially for African American and Hispanic businesses**

Timing: On-going

Metrics: 10% overall goal increase from 2019 WMBE results, with a 5% target for African American and Hispanic business utilization. 10% increase in # of WMBE suppliers utilized

**2. Internal marketing/communication program to orient Port employees about DC initiative and how they can support WMBE utilization**

Timing: On-going program with quarterly deliverables

Metrics: Number of employees participating in training sessions, and number of promotional videos, blogs and events held to highlight benefits of Diversity in Contracting policy

**3. Community engagement and partnerships to promote WMBE and DBE programs of Port contracting opportunities**

Timing: Bimonthly engagement with ethnic community organizations and/or WMBE/DBE firms

Metrics: # of attendees, \$ spend on ethnic media, issues raised/resolved (summary report)

**4. Provide PortGen workshops/trainings to interested WMBE and DBE businesses**

Timing: Monthly

Metrics: Provide nine (9) workshops with three (3) advanced training sessions; with a total of 240+ attendees, 120 of the attendees are new WMBE registrants on the Port’s supplier database.

**5. Work with Public Sector partners to advance WMBE and DBE utilization**

Timing: Quarterly

Metrics: 4 jointly sponsored events, 2 jointly funded projects, qualified support for public sector contracting center (through Tabor 100)

## **WORKFORCE DEVELOPMENT**

### **Market Analysis and Assessment:**

Since 2015 the Port has significantly expanded its role and influence and commitment to and focus of workforce development. Our efforts encompass a portfolio of sector-based workforce development strategies and investments designed to meet the skill and workforce needs of by creating opportunities

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to ensure that women and people of color, including youth, have equitable access to opportunities that come from the strong regional economy.

While the workforce development teams have made significant progress, we have not been able to fully scale planned work in each sector. A new Port Commission workforce policy can help focus the agency's workforce development efforts and investments. With new state legislation supporting Port workforce investments and many regional "funders" ready to work with the Port, the opportunity to scale workforce development investments that help sustain our construction, maritime and aviation industries are tangible and exciting.

The Commission and Port staff have done a particularly good job building partnerships. These alliances have influenced regional workforce development partners to prioritize and invest in construction/building trades, aviation/airport operations and maritime. The department's portfolio of sector-based workforce development strategies and investments directly enhance the 2020 Port-wide Goals of enhancing workforce development to support port-related industries and driving regional and statewide economic vitality.

These port-related sectors - maritime, aviation/airport and construction - are projected to generate thousands of job openings in the years ahead (due to both growth and replacement needs). Many are a good source of family wage jobs. Across all industries, the aging workforce and declining unemployment are making it difficult to find available skilled workers. Future jobs will continue to require even higher levels of skills – even for those traditionally entry level positions. Additionally, the baby boomer retirement and growing diversity of the population are changing the nature of the workforce and will require industry to address the lack of racial equity and inclusion in their hiring practices and within their workplaces.

We have a unique opportunity to build on that success and leverage interests of current funders and workforce development entities to support and strengthen workforce development efforts in our priority industries. King County's regional workforce ecosystem is undergoing a sea change; King County and City of Seattle are transforming the workforce system to connect more people to high-demand jobs. The new model will address better align funding to help people who face barriers to employment and help ensure that employers have the well-trained workforce they need to remain competitive. By partnering with this regional system, the port can expand its impact and capacity to support port related industry sectors.

**Strengths:**

- The Port Commission strongly supports workforce development investments. The Commission's new policy can clarify and further direct the Port's workforce development efforts.
- The portfolio of sector-based workforce development strategies and investments creating opportunities to ensure that women and people of color, including youth, have equitable access to opportunities that come from the strong regional economy.

**Weaknesses:**

- The Port's current contracting practices do not align well with community based organizations and workforce development.
- Leveraging Port workforce funding through partnerships with multiple workforce agencies takes time, trust and relationships.

**Opportunities:**

- HB 1568 port district worker training legislation enables investments in workforce development.
- Opportunity to influence and leverage regional workforce development transformation
- There is growing regional alignment around career connected learning programs.
- There are significant opportunities to partner with workforce agencies on maritime and construction trades training initiatives.
- Current construction trades workforce development initiatives are especially promising and could be expanded.
- There is strong demand for aviation career pathway training in the areas of maintenance and security.

**Threats:**

- Designing workforce programs to address unique needs of distressed neighborhoods, women and people of color
- Extended time frames needed to complete research, community engagement and related program design
- Port-related industries have diffuse training needs (especially maritime)
- Developing comprehensive career connected learning initiatives that create effective career awareness and development pipelines for K-12 students
- Complexity and differences in each sector

**Goals, Metrics and Outcomes**

- 1. Train disadvantaged workers for jobs in the construction industry**  
Action/Timing: Renew 2<sup>nd</sup> year of contracts with Ironworkers, ANEW, etc.  
Metrics: 150 pre-apprenticeship graduates, wages paid, # of women/minority graduates
- 2. Support workers and employers at SeaTac International airport by operating Airport Employment Center and Career Support Center**  
Timing: Extend contract with PortJobs Q2 2020 (year four of five year contract)  
Metrics: Place 2000+ job seekers into employment, also track wages, # of workshops/trainings, # of workers helped through Career Support Center
- 3. Implement aviation career pathway training initiative**  
Timing: execute implementation contract Q1 2020 (two year contract)  
Metrics: # of workers trained, # of workers advancing to better jobs, \$ leveraged from airport employers, other funding leveraged
- 4. Advance Maritime Youth Collaborative (MYC) & Aviation career connected learning initiatives**  
Timing: MYC contract extended (Q3). Aviation initiatives under contract by Q2 2020  
Metrics: 600+ students participating, also track # of teachers participating, # of employers participating, # of nonprofit or community based organization participating, and funding leveraged from partners
- 5. Increase impact and leverage through influence, regional collaboration and alignment**  
Timing: Ongoing  
Metrics: Financial leverage/external investments in Port related sectors; aligned policies, practices and strategies to support construction/building trades regional partnership; change in practices (apprenticeship programs, contractors, labor, community partners) to support racial equity; increased participation and retention rates for people of color and women

## **TOURISM DEVELOPMENT**

### **Market Analysis and Assessment:**

With the Port of Seattle's visitor assets (cruise terminals and Sea-Tac International Airport) providing integral gateways for continued expansion of travel in the Pacific Northwest, Tourism's efforts will focus to increase the economic value of travel for King County and Washington state.

Cruise Line International Association (CLIA) projects 30,000,000 cruise travelers globally for 2019. Over the next eight years, an additional 124 new ship builds are on order. By 2027, CLIA estimates the global cruise visitor number will increase by 25% reaching 40,000,000 cruisers. For 2020, Norwegian Cruise Line group has announced plans to implement a fourth ship (NCL Sun) to the Seattle Alaska market. In addition to the Port of Seattle's planned build-out of a fourth terminal at P46, communities in Alaska (Ketchikan, Sitka, Skagway, and Icy Strait Point) are in the process of planning or building additional docking infrastructure – all of which has the potential to support the growth of the Alaska cruise market.

International air travel to Seattle and Washington will continue to increase and the international cruise market is an important component of that growth. Seattle and King County visitor research indicates the international traveler represents 16% of the total visitors spend; although, they are only 7.1% of the actual total visitor volume to the area.

- International air traffic thru Seattle increased 5.8% in 2018. Additional international destinations and carriers are scheduled for startup in 2019 and the International Arrivals Facility will open in 2020.
- Cruise traffic from Europe had the largest percentage of increase (17.1%) over any other international markets.
- CLIA states that Australia leads the established cruise markets in penetration rates. 5.8% of the population took an ocean cruise in 2018 (one in every 17 Australians).
- According to Bloomberg News, the estimated number of Chinese cruise travelers will reach 4.5 million by 2020.

With the continued growth of the Alaska cruise trade and Sea-Tac Airport international gateways, Tourism will focus our efforts to impact and educate the travel trade and travel media on the merits of selling Alaska cruises and recommending extension of stays to explore the Pacific Northwest, to increase leisure air travel to Washington. We will continue to work with fellow destination marketing organizations and attractions to market all of Washington as well as impact and address our strengths, weaknesses, opportunities and threats.

### **Strengths:**

- The Port's capital improvements (International Arrivals Facility, North Satellite, a fourth cruise terminal) create opportunities for increased tourism visitation.
- The Tourism department's effort on trade and media familiarization tours with Visit Seattle, the Washington Tourism Alliance and statewide destination marketing organizations reinforces the Port of Seattle's role as major air and sea gateway for Washington.
- Our Tourism Marketing Support and Advertising Spotlight programs have reinforced the Ports perception as a positive team player and leader promoting all of Washington
- Like most of the USA, Washington State is generally perceived as a safe destination for international travelers.

**Weaknesses:**

- The ability to process agreements for the Tourism Marketing Support Program in a timely fashion has hampered implementation of projects.
- Communications between POS departments can continue improve, thereby enabling Tourism to develop comprehensive marketing strategies.

**Opportunities:**

- CLIA's 2018 Consumer Survey revealed nearly 80% of all cruisers prefer to book a cruise via a travel consultant. Because of the complexity in consumer cruise travel decision making, Tourism will target efforts to impact and educate the cruise related sales specialists, cruise tour operators and travel media by building on the "cruise and stay program" and investing in joint marketing promotions. These efforts are targeted to reach important travel influencers. Targeted markets include UK, Ireland, Mainland Europe, Australia and New Zealand.
- The Tourism Marketing Support Program and Airport Spotlight Program will continue to offer smaller destination marketing organizations and attractions throughout Washington the opportunity to impact travelers utilizing the Port's visitor gateways (cruise terminals and Sea-Tac International Airport).
- Like most of the USA, Washington State and the Pacific Northwest are generally perceived as a safe destination for international travelers.

**Threats:**

- Destinations along the west coast are intently keen upon obtaining home porting and port of calls for their destinations. Specifically, Anchorage, Vancouver, Astoria, San Francisco, Los Angeles and San Diego are going to be diligent in attempting to obtain a portion of the growing Alaska trade.
- Hotel availability and pricing in Seattle is challenging despite the addition of new properties.
- Fluctuating international exchange rates and the health of United States and global economies can negatively impact tourism and travel numbers.
- International travel restrictions such as lengthy visa application processes and countries identifying the USA as an inappropriate or unsafe destination can severely impact visitation.
- The transient, homeless and addiction situation can pose a perceived safety issue by visitors experiencing Seattle and select locations in King County.
- Washington State's national and international tourism marketing efforts are woefully underfunded and well below neighboring states' funding levels.
- Washington's perceived brand and the brand marketing approach is lacking.

**Goals, Metrics and Outcomes**

- 1. Utilize the Tourism Grant programs (Tourism Marketing Support Program and Airport Spotlight Program) to increase the awareness of the unique visitor opportunities and attractions throughout Washington and reinforce Sea-Tac International Airport as a gateway for all the Pacific Northwest.**

Action/Timing: Tourism grant partner contracts by 4/15/20 - projects complete by year end.

Metrics: Award \$200,000 to qualified tourism nonprofit organizations throughout the state of Washington. At least 50% of these funds will support cultural, nature adventure and

sustainable tourism projects.

Metrics: Ensure all 48 advertising location opportunities in the Sea-Tac Airport Spotlight Program are fully utilized by statewide DMOs and attractions in 2020.

**2. Conduct Familiarization tours (FAMS) for the travel media and travel trade to generate interest in Washington and increase actual tour product availability.**

Action/Timing: Organize 30 FAMS for the travel trade and travel media in 2020. Target the key cruise markets of the UK, Ireland, Mainland Europe, Australia, and China.

Metrics: Generate \$200,000 of in-kind contributions from tourism partners, obtain \$2,000,000 in earned travel media coverage for the Pacific Northwest, and generate an additional 25 cruise and tour product offerings.

**3. Establish strategic partnerships with Visit Seattle and the Washington Tourism Association to strengthen the Port of Seattle's tourism gateways for air and sea (Sea-Tac Airport and cruise terminals).**

Action/Timing: Attend six travel trade shows and three sales missions in 2020

Metrics: Maintain the Visit Seattle International marketing agreement to increase leisure travel for 2020, and identify \$500,000 in matching dollar contributions in support with the Washington Tourism Association annual match funding requirements.

**4. Promote the economic value of Alaska cruise travelers by expansion of cruise and stay experiences in Washington and the Pacific Northwest.**

Action/Timing: Ongoing and complete by November 30, 2020.

Metrics: For 2020 maintain in-market representation contracts in UK, Ireland, Mainland Europe, New Zealand and Australia marketing Seattle as the primary cruise gateway to Alaska and pre/post Pacific Northwest cruise and stay extensions.

Metrics: Each market contractor will distribute quarterly newsletter touting cruise and stay opportunities that reach x media and travel trade in select international destinations.

Metrics: 25 Destination Marketing Organization/Tourism organizations attend Two Nation FAM and Tourism workshop to share messages with international travel media and travel trade.

## **ECONOMIC DEVELOPMENT**

### **Economic Development Partnership Program**

#### **Market Analysis and Assessment:**

The Port of Seattle Economic Development Partnership Program funding is distinctive in the region in both its approach and mission, compared to other federal, state, and local grant programs. The program provides seed funding to spur economic development projects that integrate each city's economic development strategy and support the Port's Century Agenda goals and 2020 Port-wide Goals.

In recent years, cities have undertaken multi-city, collaborative projects that address regional goals and needs. For example, the cities of Kirkland, Bellevue, and Redmond formed a partnership called the Innovation Triangle dedicated to promoting East King County as an international destination for technology companies.

The Economic Development Partnership Program remains a popular program with cities in King County, allowing Port Commissioners to show Port of Seattle economic support in all corners of King County. A program evaluation report published at the end of 2018 found that cities often use the funds provided by the Port of Seattle as seed money for projects that would not have been possible otherwise. Some cities found that the projects undertaken with Port of Seattle funds generated follow-up ideas, or the

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projects received enough traction to continue regardless of future Port grant funding. Many smaller cities said that the increased economic development capacity was a huge benefit of the program.

**Connection to 2020 Port-Wide Goals**

The Port of Seattle Economic Development Partnership Program advances regional economic vitality and builds positive partnerships with King County Cities. The program's funding often supports innovative efforts that are outside the general economic development activities for cities and encourage cities to invest resources into economic development through the program matching requirement. In 2018 alone, cities expended \$657,000 in matching funds and resources to support regional economic development – a roughly \$100,000 increase over the minimum threshold that cities said they would allocate to program projects.

The program also positions the Port of Seattle as a key partner for King County cities by providing a flexible funding source for cities to implement economic development activities. Typically, external grant funding for local economic development projects is scarce and city economic development departments have trouble securing local funding.

**Strengths:**

- **Grants help advance regional economic vitality.** “The Port of Seattle grant program has been invaluable to cities to invest in local and regional partnerships,” according to a program evaluation report completed in late 2018.
- **Spurs productive regional partnerships.** The program has allowed cities to connect with other cities in the region and create partnerships that can be leveraged for future initiatives and pooling of resources allowing cities to offer services they wouldn't be able to be funded alone.
- **Provides niche funding for business assistance, retention, and recruitment projects that are expected to:**
  - Promote regional economic diversification,
  - Promote entrepreneurship and small business growth,
  - Attract foreign investment,
  - Diversify local rural and urban economies,
  - Recapture spending within the city,
  - Support development of local supply chains; and
  - Ultimately create jobs and increase economic activity.

**Weaknesses:**

- The program funding formula does not allow the Port to provide additional funding support to high-impact economic development projects or projects that could significantly support key Port of Seattle priorities like the 2020 Port-wide Goals.

**Opportunities:**

- Continue to streamline contracting and grant administration processes
- Work to better assess and highlight impacts from the Economic Development Partnership Program.

**Challenges/ Threats:**

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- It is challenging **for cities to measure outcomes on a short-term basis**. Many projects undertaken with Port of Seattle grant funds have long-term objectives, which are hard to measure in terms of immediate return on investment
- **Cities often challenged to implement projects in less than a year.**

**Goals**

- 1. Implement 2020 grant program in partnership with King County Cities**  
Timing: Participating cities under contract by Q2 2020  
Metrics: 30 Cities participate in program and \$ match from participating cities
- 2. Change annual funding format to flexible 12-24 month contracting period based on City needs, opportunities and potential for greater impacts**  
Timing: Develop recommendations by Q1 2020 for immediate implementation  
Metrics: # of cities using longer contract periods and # of new cities participating
- 3. Organize periodic orientation meetings and training sessions to help cities learn more about resources for economic development**  
Timing: Host 3-4 workshops or meetings for City economic development staff in 2020  
Metrics: Local ED staff learns about and demonstrates use of new resources/partnerships.

**Maritime Innovation Initiatives and Center Development**

**Market Analysis and Assessment:**

Washington's maritime industry supports over 75,000 jobs and the industry is essential to our region's future. Maritime employers provide blue-collar employment opportunities in rural and urban communities. Maritime operations help protect our working waterfronts and harbors. And Washington's maritime cluster is well positioned to grow into the future.

Often overshadowed by the Seattle region's tech economy, our maritime sector's potential is overlooked. A growing Blue Economy is just beginning to gain recognition globally as regions start to recognize the importance of the ocean for economic development, recreation, sustenance, and quality of life purposes. Washington's new Maritime Blue plan embraces the Blue Economy opportunities and is a bold new blueprint for advancing Washington's maritime industries.

The Port of Seattle is a key Maritime Blue partner. Advancing maritime innovation initiatives can position our lines of business and maritime business partners for future growth and success. New opportunities for the region include: alternative low carbon vessel propulsion systems, surface and undersea robotics, arctic research, seafood product development and digitization.

To realize these innovation opportunities, the region's maritime cluster must collaborate more effectively. The new Maritime Blue cluster organization can help the industry overcome fragmentation that has so far stymied the industry's ability to advance new ideas and technologies. The Port of Seattle can help guide this organization towards success and make additional investments to help anchor regional maritime innovation.

**Strengths**

- Established Port lines of business provide partnership and expertise needed to support maritime innovation
- Port real estate assets can support short and long term needs for maritime innovation

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- Port staff in constant touch with maritime industry = knows problems and opportunities

**Weaknesses**

- Port support for Maritime Blue plan is informal – an MOU would help clarify roles/responsibilities as well as annual partner commitments
- Innovation initiatives are new, so patience is needed to define/achieve outcomes

**Opportunities**

- To bring world class technologies (Cloud, Cybersecurity, IoT) beneficially to the region's maritime cluster
- To spur innovations that sustain the region's fishing industry and protect our maritime environment
- Advancing partnerships with the University of Washington, NOAA, City of Seattle, Maritime Blue, private industry and many other stakeholders
- To realize maritime innovations that can support regional economic vitality, cluster competitiveness, and Port NOI

**Threats**

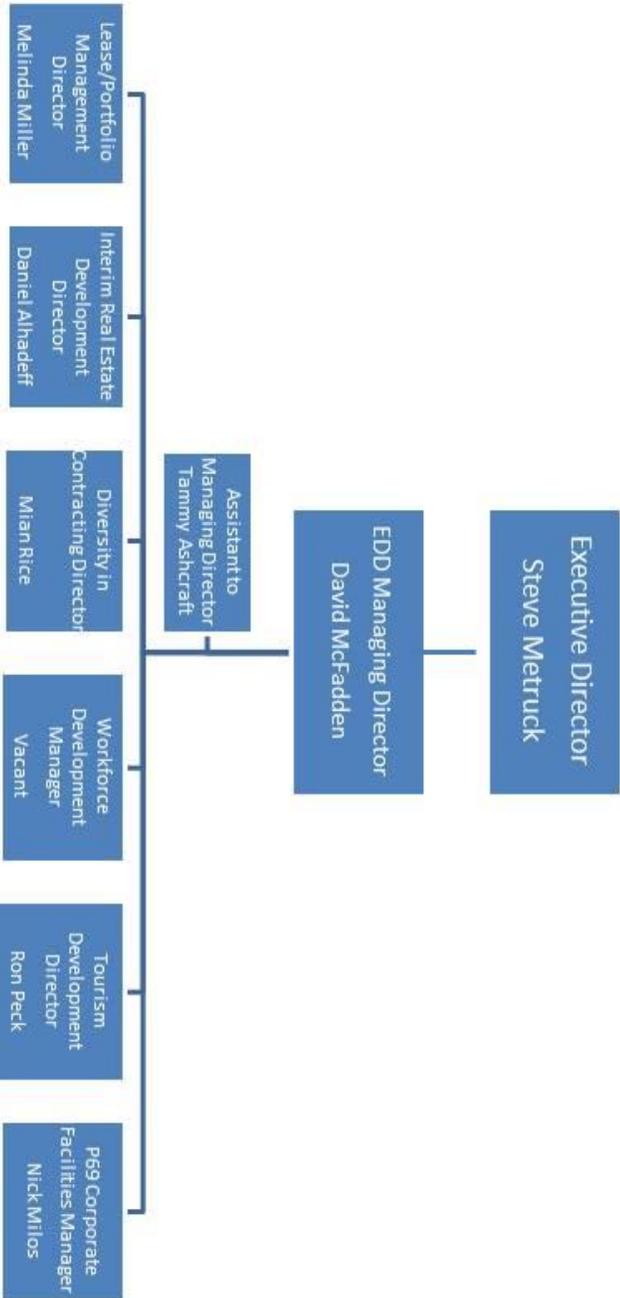
- The region's maritime industry is not particularly collaborative
- Other ports and regions are hungry for talented maritime startups. Two local companies have participated in the Port of Rotterdam's accelerator to advance their startups.

**Goals**

- 1. Determine location of Maritime Innovation Center**  
Timing: Q1 2020  
Metrics: Final location of facility determined – State capital funding formalized.
- 2. Operate Maritime innovation accelerator program to discover, promote and help advance promising maritime ventures and startups**  
Timing: Kick off in October – Operate contest in Q4 – Final Demo Day in Q1 2021  
Metrics: Ten promising maritime ventures go through accelerator program and establish growth and funding benchmarks
- 3. Organize and administer quarterly maritime innovation center advisory council meetings to ensure public and private partners can steer and provide counsel on maritime innovation initiatives**  
Timing: Quarterly  
Metrics: # of partners participating, funding leveraged, events cosponsored
- 4. Organize fact finding trips to other cities and ports that are working to advance maritime innovation initiatives**  
Timing: Organize two trips in 2020  
Metrics: Partnership agreements realized, B2B connections made, lessons learned that impact regional maritime innovation initiatives.

# APPENDIX

Economic Development Division  
January 2019



## 2019 Budget Summary

\$ in 000's	2017	2018	2018	2019	Incr (Decr) Budget Variance		Incr (Decr) Budget to Forecast	
	Actual	Budget	Forecast	Budget	\$	%	\$	%
Revenue	8,658	8,985	9,097	8,930	(55)	-1%	(167)	-2%
Conf & Event Centers	9,133	9,537	9,949	10,795	1,258	13%	846	9%
<b>Total Revenue</b>	<b>17,791</b>	<b>18,522</b>	<b>19,046</b>	<b>19,725</b>	<b>1,203</b>	<b>6%</b>	<b>679</b>	<b>4%</b>
<b>Expenses</b>								
Portfolio Management	3,875	3,778	3,778	4,128	350	9%	350	9%
Conf & Event Centers	7,639	8,465	8,465	9,374	908	11%	908	11%
P69 Facilities Expenses	206	289	289	225	(65)	-22%	(65)	-22%
RE Dev & Planning	214	211	211	216	5	2%	5	2%
Econ Dev Expenses Other	763	1,227	1,227	1,262	35	3%	35	3%
Maintenance Expenses	3,657	3,055	3,055	4,071	1,017	33%	1,017	33%
Maritime Expenses (Excl Maint)	52	344	344	389	45	13%	45	13%
<b>Total EDD &amp; Maritime Expenses</b>	<b>16,406</b>	<b>17,370</b>	<b>17,370</b>	<b>19,664</b>	<b>2,294</b>	<b>13%</b>	<b>2,294</b>	<b>13%</b>
Small Business	64	140	140	199	59	42%	59	42%
Workforce Development	850	1,992	1,292	2,010	18	1%	718	56%
Tourism	1,234	1,460	1,460	1,463	3	0%	3	0%
EDD Grants	751	960	960	960	0	0%	0	NA
<b>*Total EDD Initiatives</b>	<b>2,900</b>	<b>4,552</b>	<b>3,852</b>	<b>4,632</b>	<b>80</b>	<b>2%</b>	<b>780</b>	<b>20%</b>
Environmental & Sustainability	260	398	363	395	(2)	-1%	33	9%
CDD Expenses	387	329	264	235	(94)	-29%	(29)	-11%
Police Expenses	51	158	156	228	70	44%	72	46%
Other Central Services	5,269	5,816	5,700	5,533	(283)	-5%	(167)	-3%
Aviation Division	113	127	127	155	28	22%	28	22%
<b>Total Central Services &amp; Aviation</b>	<b>6,080</b>	<b>6,829</b>	<b>6,611</b>	<b>6,547</b>	<b>(281)</b>	<b>-4%</b>	<b>(63)</b>	<b>-1%</b>
Envir Remed Liability	0	0	0	0	0	NA	0	NA
<b>Total Expense</b>	<b>25,387</b>	<b>28,751</b>	<b>27,833</b>	<b>30,844</b>	<b>2,093</b>	<b>7%</b>	<b>3,011</b>	<b>11%</b>
<b>NOI Before Depreciation</b>	<b>(7,596)</b>	<b>(10,229)</b>	<b>(8,787)</b>	<b>(11,119)</b>	<b>(890)</b>	<b>9%</b>	<b>(2,332)</b>	<b>27%</b>
Depreciation	3,863	4,156	4,156	3,819	(337)	-8%	(337)	-8%
<b>NOI After Depreciation</b>	<b>(11,459)</b>	<b>(14,385)</b>	<b>(12,943)</b>	<b>(14,937)</b>	<b>(553)</b>	<b>4%</b>	<b>(1,994)</b>	<b>15%</b>

## 2019 FTE Summary

<b>2018 Budget</b>	<b>36.0</b>
<b>2018 Changes</b>	
Elimination of Business Analyst, Small Business	(1.0)
Elimination of Manager, Small Business	(1.0)
Addition of Sr Administrative Assistant, Small Business	1.0
<b>Adjusted 2018</b>	<b>35.0</b>
<b>2019 Budget</b>	
<b>Staff Additions:</b>	
WMBE Manager	1.0
<b>Net Change 2019</b>	<b>1.0</b>
<b>Proposed 2019 Budget</b>	<b>36.0</b>