

### Port of Port Townsend

#### Economic Context



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### 2017 Business & Administrative Goals

1. Increase revenue for Port
2. Modernize business processes
3. Establish robust long term capital plan
4. Comprehensive approach to all grant fund programs
5. Complete 2017 capital projects
6. Control all expenses focusing on utilities

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### Asset Inventory & Capital Demands

- Based on the current asset inventory valuation, the Port controls \$45M in assets
- The actual value of those assets is probably far less due to their advanced age
- The actual replacement value is far greater however, possibly even \$60M or more
- We are looking at a very distinctive front load in terms of demand on capital – just to keep these assets operable
- Reinvestment of much of this capital is not currently earmarked for “growth” efforts – but instead for maintaining existing capacity and environmental compliance
- Capital demands are easily close to \$36M just for Repair and Replacement program within the next 10 years
- Demand for “Growth” projects can easily approach another \$10-\$15M

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### Asset Inventory & Capital Demands

One way of looking at what is required of the organization financially:

- \$60M In assets requires a minimum of \$3M NOI per year, every year, for 20 years
- PLUS \$4M+ annually to cover operating expenses
- PLUS funding to improve or build new capacity
- Revenue need is a minimum \$8-\$12M annually

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PORT OF PORT DOWNSEND - CAPITAL IMPROVEMENTS		Total
2018-2027		
Boat Haven		
	BOAT HAVEN SUBTOTAL	20,000,000
Point Hudson		
	POINT HUDSON SUBTOTAL	11,175,234
Jefferson County International Airport		
	JCIA SUBTOTAL	2,490,000
Lower Hudson		
	LOWER HUDSON SUBTOTAL	500,000
Remote Ramps		
	REMOTE RAMPS SUBTOTAL	400,000
Quilcene		
	QUILCENE SUBTOTAL	1,379,000
Docks & Wharfs		
	DOCKS & WHARFS SUBTOTAL	200,000
		\$35,144,234

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### Carrying Costs

Another way of look at organizational revenue needs:

Capital Costs for 10 years  
 + Operating Costs (10 Years)  
 = Total 10 Year Revenue Need

\$20,000,000      Boat Haven Capital Costs  
 \$17,000,000      Yard Operating Costs  
 \$37,000,000

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### Carrying Costs

Total Boat Haven Site      ~ 19.65 Acres  
Usable Area                      ~ 11 Acres or 479,160 sq. ft.  
  
Carrying Cost rate              \$ 0.64 per sq.ft

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### A Simple Model

- Projects are mission critical
- Assumes use of every square foot – instantaneously
- Serves as a rough order of magnitude guide
- Position can be helped by outside capital – but not relied upon
- Must be checked by what the market can bear

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### Leases

- Past lease terms have created significant barriers to increasing revenue; within next 4 years only 40% of total lease revenue available due to normal lease renegotiations
- 60% of revenue extends to 2021 or beyond creating inelasticity
- Lease premises have not reflected actual use for years
- May require forced renegotiation creating tension
- Must build in escalators and costs must be passed through
- Reduce risk by increasing security, insurance requirements
- Maximize cash flow and interest income
- Align revenue with operating costs and capital exposure
- Attract and retain stronger tenants that create layered sources of revenue
- Build out lease templates, lease processes, real estate metrics, lease terms and develop parameters

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