

Notes from the Real Estate Best Practices Break Out Session
AAPA Maritime Economic Development Workshop
June 5, 2012
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The three areas of focus in the REBP Work Group are: Valuation, Leasing Practices, and Economic Development. The following discussion took place in the June 5, 2012, break out session in New Bedford:

Valuation

- Valuation language generally relies on “fair market value”, but is frequently undermined by reliance on CPI or index, infrequent increases, or subsidies.
- How do ports recognize the value of waterborne facilities?
- Depreciated Replacement Cost New-is this the best and most relevant method of determining value? How does this relate to Franc Pigna’s comments on valuation?
- Traditional valuation may be less relevant if the mission statement of a port authority includes community benefit, economic development, job creation, etc.
- Ports in the same region should use pricing power if allowed anti-trust immunity
- Ports need to charge based on the “real” (i.e. private sector) real estate rents or value of the lease
- Ports need to determine how reinvestment by the port or tenant impacts valuation

Leasing Practices

- What methods do ports use to replace existing tenants who have subsidized rents?
- Need to look at rent reset requirements/criteria in port agreements
- Need to look at NNN lease language in port agreements
- Need to look at enforcement issues (i.e., obtaining and enforcing collection and reconciliation of financial statements for tenants with gross receipts requirements, etc). Ports need to build separate property management, asset management, negotiation and administration resources into their organizations.
- Ask for excise tax receipts rather than audited financial statements
- Port need to have a deferred maintenance program and provide annual funding. Also need to recognize if deferred maintenance is unnecessary due to near term demolition of improvements. Do ports transfer deferred maintenance to CIP?
- REBP should look at private sector lease templates for best practices terms and conditions that may be applicable for ports.
- Reinvestment in facilities is important in long term contracts. An example is FL, where shopping center tenants must renovate storefronts every 5 years.