



## Overview: Trends, Use of Leases vs. Tariffs, Leasing Policies

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*AAPA 9.21.2016*




## Port Authority Real Estate – Overview
















- ◆ Governance Overview
  - ◆ Operating Port and Landlord Port
- ◆ Real Estate manages 150+ leases of various types and sizes
- ◆ **Properties:**

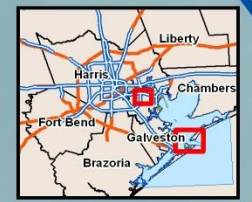
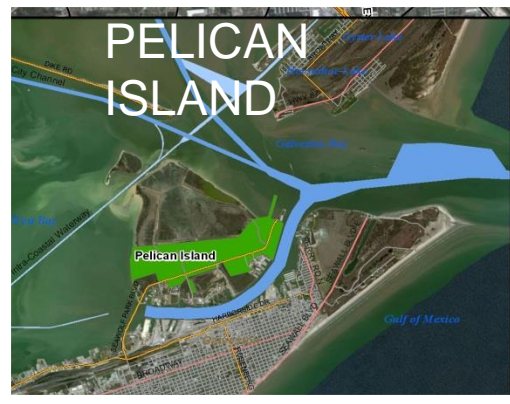
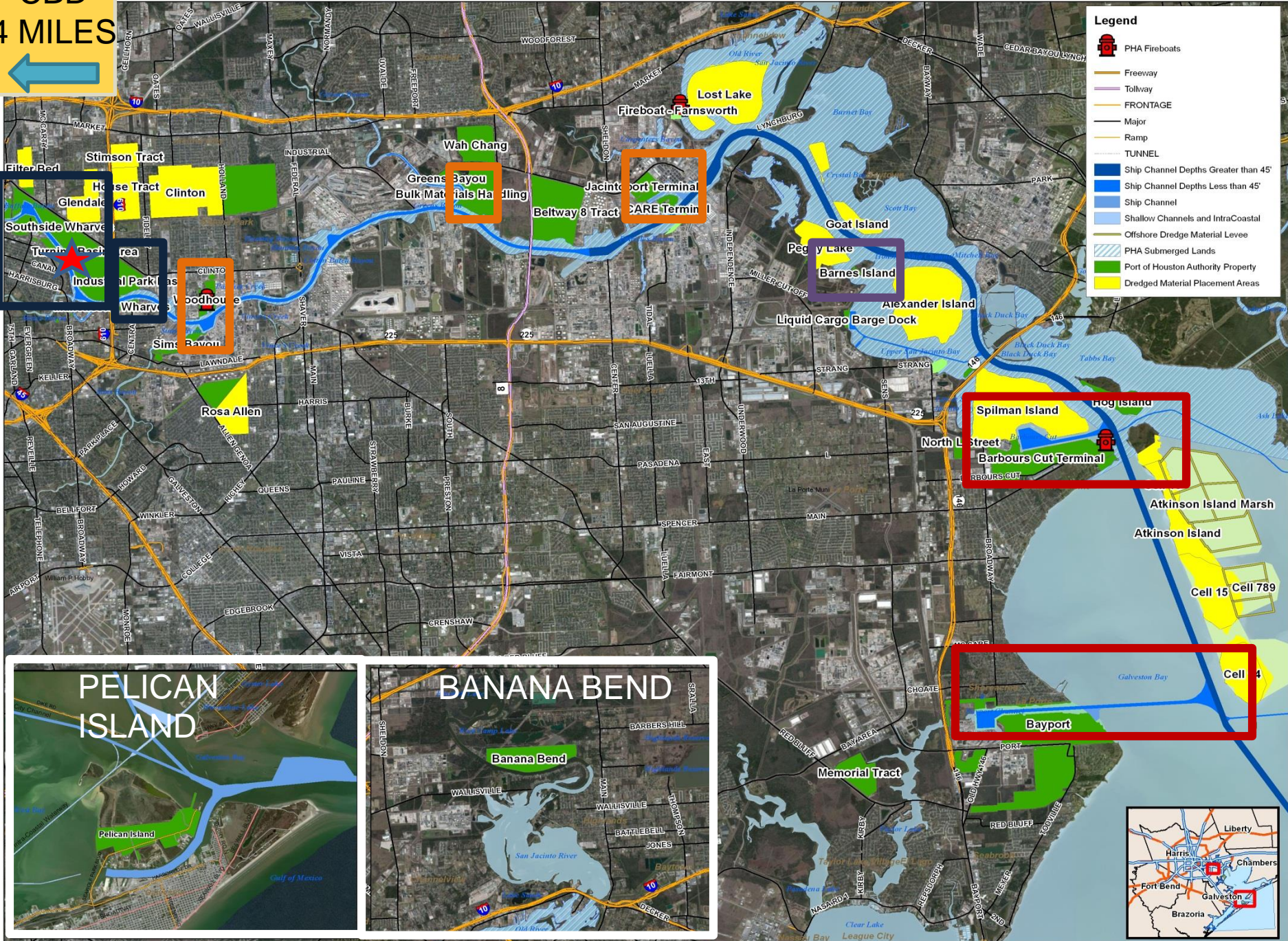
Developed	~ 3,348 acres
Undeveloped	~ 3,635 acres
Dredge Placement	~ 4,852 acres
Submerged Lands	~11,800 acres
PTRA Rail Line	~ 800 acres
Vertical Improved	~ 5.0 million sf

**Deep Water ◆ Great Rail Access ◆ Freeway Access ◆ FTZ Zones**

**CBD**  
**4 MILES**



- Legend**
-  PHA Fireboats
  -  Freeway
  -  Tollway
  -  FRONTAGE
  -  Major
  -  Ramp
  -  TUNNEL
  -  Ship Channel Depths Greater than 45'
  -  Ship Channel Depths Less than 45'
  -  Ship Channel
  -  Shallow Channels and IntraCoastal
  -  Offshore Dredge Material Levee
  -  PHA Submerged Lands
  -  Port of Houston Authority Property
  -  Dredged Material Placement Areas



## Lease versus Tariff at the Authority/Trends

General Cargo Terminal Leases - **Authority is both Operator and Landlord**

- ◆ Largely Tariff Driven with MAG component
- ◆ Too many cargo types to track by lease

Container Terminal Leases - **Authority is Sole Operator**

Liquid Bulk Terminal Leases - **Authority is Landlord**

- ◆ Legacy Leases Largely Tariff Driven
- ◆ New Leases – Lease Term Driven
- ◆ Magnitude of Capital Investment
- ◆ Requirement: Certainty of Pricing and Liability

Commodity Terminal Leases - **Authority is Landlord**

- ◆ Lease Driven with threshold Incentives
- ◆ Magnitude of Capital Investment
- ◆ Requirement: Certainty of Pricing and Liability
- ◆ Highly cyclical business model

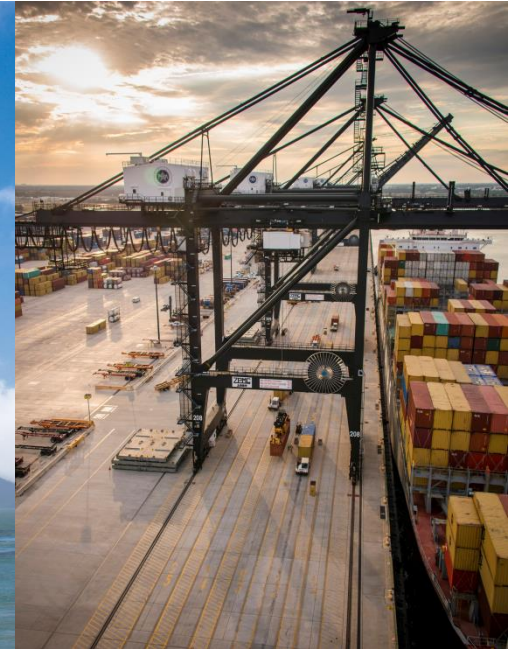


**Lease Policies - Policies work well when policies implemented can be universally and uniformly executed and enforced, such as:**

- ◆ **Annual Rate Escalator**
- ◆ **Security**      ◆ **Environmental**
- ◆ **Engineering Plan Review** ◆ **Safety**
- ◆ **Transfer and Assignment Approvals**
- ◆ **Ownership of Improvements**
- ◆ **Tariff Based Leases - MAG Volumes/Shortfall Assessment**
- ◆ **Indemnity**      ◆ **Force Majeure**

**Lease Policy Challenges -**

- ◆ **Permitted Use of Property vary widely**
- ◆ **Property, infrastructure, entitlements vary widely**
- ◆ **Tenant's Creditworthiness may vary widely**
  - ◆ **Risk Insurance Requirements may vary**
  - ◆ **Rate** ◆ **Performance Assurance** ◆ **Term**
  - ◆ **Capital Investment** ◆ **Lease Structure may vary**



## TRENDS

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