



**PORT OF PASCO**

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# 2025 - 2030 Strategic Plan

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The Port of Pasco commissioned an independent third party, Leeward Strategies, to conduct a series of strategic planning workshops with Port commissioners and staff in 2024. This plan was created using feedback collected throughout that process.

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# PORT OF PASCO STRATEGIC PLAN

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## Introduction

The 2025 Port of Pasco (the Port) Strategic Plan was developed through a series of workshops with the Commission and the senior management staff. Those workshops reviewed progress made on the Planned Strategies adopted in the last plan update in 2019; emerging priorities; and changed conditions in the local economy and regulatory environment.



### Purpose of the Strategic Plan

The Strategic Plan is a valuable tool in guiding the Port into the near- and long-term future. It serves as a useful mechanism for communicating the Port's priorities and intentions to both internal and external audiences while assuring that there is organizational consensus and commitment to these priorities.

As a practical matter, it articulates in understandable terms what is reflected in the Port's operating and capital budget.

### Strategic Planning...

- Requires a proactive perspective on the future.
- Provides a better understanding of the resources needed for the Port to achieve its goals.
- Confirms the Port's primary mission and sense of direction.
- Provides a measure of accountability for programs, staff, and allocated resources.

## Port's Mission 20

*The Port of Pasco strategically allocates port resources and transportation assets to attract and support diverse industries that create sustainable jobs and a healthy tax base in Greater Franklin County.*

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### History of the Port

**1940**— The Port is a local municipal corporation established by the voters of Franklin County, originally formed to provide facilities for barge shipments of grain from the Columbia River area to seacoast terminals. Over the years, the Port has continued to provide this capability and much more.

**1959**— With 94% voter approval, the Port purchased a World War II Army Depot, now known as Big Pasco Industrial Center. Soon after, the Port installed the first container crane facility on the upper Columbia River for barging products to and from Pasco.

**1963**— The Port agreed to take over the former World War II U.S. Navy facility known as the Pasco Airport from the City of Pasco; it was renamed the Tri-Cities Airport.

**1998**— The Port, in partnership with the City of Pasco, Franklin PUD, and TRIDEC, began development of the Pasco Processing Center, a 250-acre food processing park with in-place environmental permits which enabled companies to fast-track plant construction with direct access to a city-owned process water re-use facility.

**2019**— The Port purchases the 300-acre Reimann Industrial Center for the next large industrial development effort. To help fund infrastructure extension to the site, the Port becomes the first agency in the state to use the new "Tax Increment Financing tool".

**Today**— The Port has grown to include assets of over \$185 million and consists of 3,050 total acres—2,450 acres of land and 600 acres of waterfront property. The properties include the Big Pasco Industrial Center, Tri-Cities Airport, Inter-Modal Terminal, Wharf Site, the Pasco Processing Center, Foster Wells Business Park, Osprey Pointe, Pasco Industrial Center 395, Reimann Industrial Center, and Tri-Cities Airport Business Center. The Port has been and continues to be an instrumental force in supporting the area's economy and workforce.

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## Port Values

- The Port values maintaining a livable community with a unique sense of place that is attractive to businesses and working families while balancing the need for financial viability.
- The Port appreciates the contributions that travelers using the Tri-Cities Airport make to the region, as well as all the visitors and customers at other Port facilities.
- The Port places a special emphasis on supporting its tenants to improve their chances of success and growth.
- The Port takes its unique community role and public trust responsibilities seriously and pledges to work in an open and decisive manner, coordinating with other governmental jurisdictions and valuing constructive community, tenant, customer and employee input in its deliberations.
- The Port places a premium on retaining high quality staff to execute the Port's programs and manage its facilities.
- The Port demonstrates leadership in community, state, and national issues to further advance the economic prosperity of Franklin County and the region.
- The Port operates and maintains safe and environmentally conscious facilities that are well maintained to protect the community's investment(s).
- The Port values its relationship with its vendors and suppliers.

## The Port's Organization

The Port is a special purpose municipal corporation authorized under Washington State statutes and is governed by a three-member Board of Commissioners elected on staggered 6-year terms. In turn, they retain an Executive Director who manages the strategic and day-to-day operations of the Port and its various operating units.

## Defining Port Values

The Port's values define the beliefs and ideals that the Port subscribes to as it delivers on its mission—in essence, “how” the Port does its work.

## Defining Guiding Purposes

This overarching guidance directs the course of the Port of Pasco as it fulfills its mission and defines, in general terms, what it aspires to accomplish in the short, mid, and long-term.



## Port Guiding Purposes

1. Ensure a healthy and growing local economy through family wage job growth and sustainable local taxes to support community services.
2. Increase earned revenues (non-tax base) utilizing a threshold rate of return standard on invested capital as a "means" to achieving desired "ends."
3. Maintain and improve essential transportation facilities and services to support the local economy today and into the future, and to service Port-owned properties.
4. Weigh financial risk against return on investment (ROI), job creation and retention, and the prioritization of resource allocation.
5. Provide a platform for a stable and growing portfolio of tenants through investment in infrastructure and industrial facilities.
6. Foster business retention by meeting with and assisting key employers within the Port District. Nurture existing small businesses.
7. Attract new business to the County by meeting needs not addressed by the private sector. Incentivize business and development.
8. Leverage resources with public agency partners and private investors that advance the Port's commitment to the greater community.
9. Invest in public and community amenities if they complement economic development efforts or enhance Port-owned properties.

## Return on Investment

ROI is a performance measure used to evaluate the efficiency of an investment<sup>1</sup>. ROI is calculated as:

$$\frac{\text{(Gains of investment - Cost of Investment)}}{\text{Cost of Investment}}$$

*Cost of Investment*

## Mission versus Margin

To balance commitment to the community while simultaneously achieving financial stability, the Port has set a target ROI for each cost center based on its "Mission" and "Margin."

*Mission* - The extent to which a project or initiative benefits the public-at-large versus benefiting a private business. A public benefit initiative may not produce much revenue but may meet a need not already met by the private sector. A common example of a public benefit mission is public parks. An example of private benefit mission is a building for a specific business.

*Margin* - The ability of a project or initiative to generate revenue to achieve financial sustainability for the organization and minimize financial pressure of a port's tax base.

<sup>1</sup>Source: Investopedia.com, January 20, 2015

## Overall Economic Strategy

While the Port's overall mission is to create job opportunities and increase the local tax base, it also strives to operate its revenue-producing facilities so as to generate reasonable returns to offset pressures on its tax revenues.

Financial goals for the Port vary depending on the mission objectives of a particular property and the public benefits provided. A property that provides wide public benefits but has low revenue potential is assigned a low return on investment (ROI) target. Conversely, a project with limited public benefit but good revenue potential is projected to have a higher ROI. General financial goals for each Port cost center (Lines of Business) have been set as follows:

### Tri-Cities Airport

- Continue to structure fees and rates to reduce the subsidy for airfield operations and achieve a break-even ROI over the next 10 years (FAA "Eligible").
- Maintain the current financial performance that is not subsidizing the presence of the airlines within their leased space – essentially a break even.
- Maintain a minimum of a 5% ROI for airport concessions including car rentals.
- Maintain a 10% plus ROI for airport parking facilities.





### Big Pasco Industrial Park

- Maintain a 3-4 % ROI, however consideration may be given to necessary lease rate increases to maintain that return to recover building improvements that better serve tenants or for code compliance.

### Airport Industrial Park (Non-Aeronautical)

- Maintain a 3-4 % ROI, however, consider lease rate increases to pay for building improvements that better serve tenants or for code compliance.

### Airport Eastside- General Aviation

- Work towards a break-even ROI by 2035 and then maintain going forward.

### Osprey Pointe – Commercial Property

- Generate positive cash flow while utilizing the current master development agreement.

### Wharf Property – Commercial property

- Utilizing infrastructure grants for capital projects, work towards a positive cash flow targeted at 3-4% ROI for revenue producing assets while recognizing the public benefit of more public facilities such as the historic wood wharf which will not meet the ROI.

### Future Real Estate Purchases

- Overall utilize an expected ROI of 4 – 7% on new land purchases but weigh against the public benefit of increased tax base, job creation, and the high upfront costs required to secure the anchor development.

### Transportation Facilities

- Maintain a 4-5% ROI on investments in the Rail Terminal
- Maintain a 4-5% ROI on investments in the Barge Facility.

### The Port in Brief

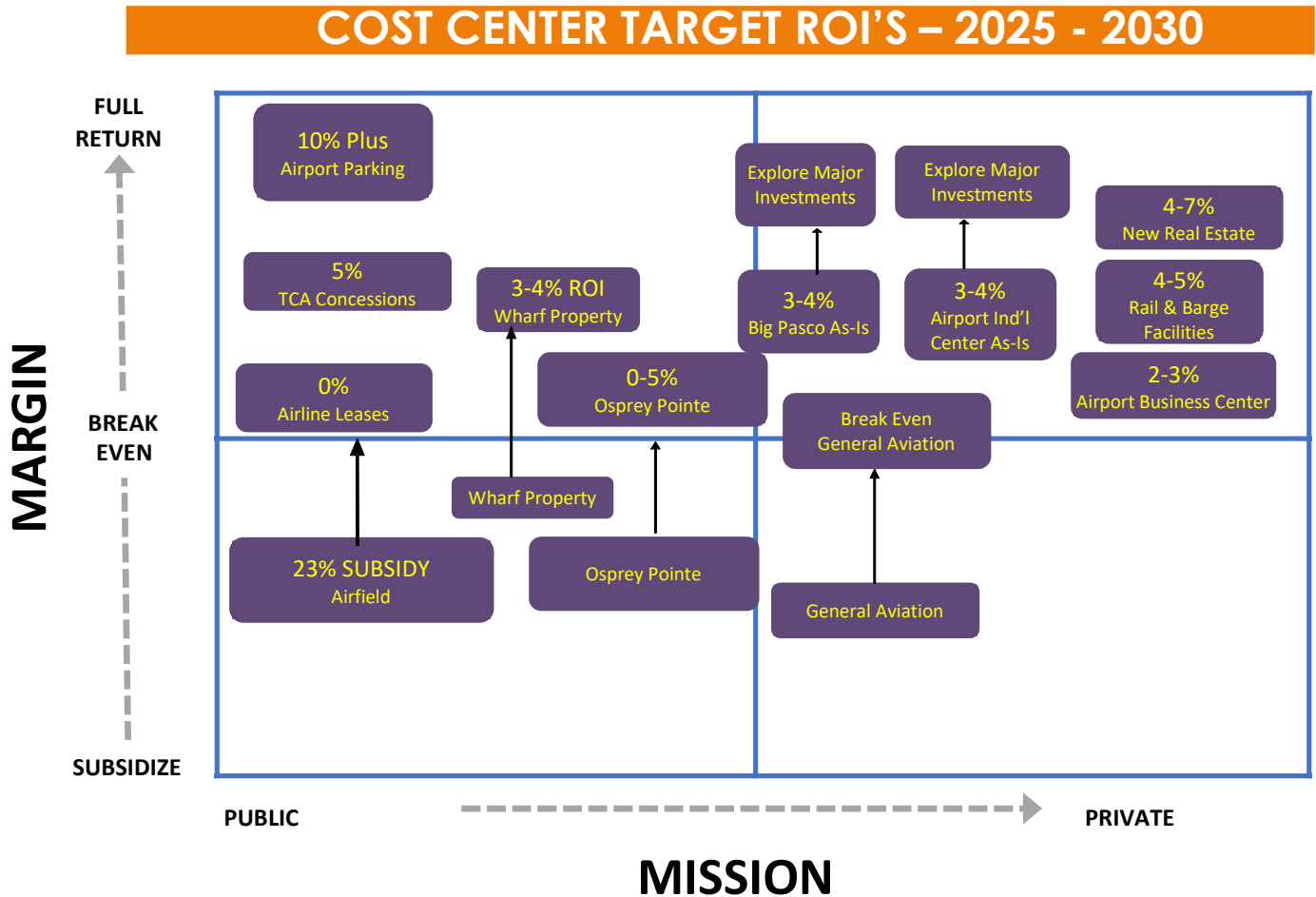
The Port of Pasco enables and encourages commercial and industrial development at Port facilities.

The Port of Pasco facilities include the Tri- Cities Airport, the Big Pasco Industrial Center, the Pasco Processing Center, Osprey Pointe, Reimann Industrial Center and the Wharf Property.

The Port of Pasco is also a transportation port with vital links to the movement of freight and people. The area's geographic location makes it a hub for the entire Pacific Northwest. Excellent highway access to Port facilities is provided via interstate 182, U.S. 395 and U.S.12.

Mainline railroad service is provided by Burlington Northern Santa Fe (BNSF), which operates a major switchyard at Pasco. Air transportation, for both passengers and cargo, is available at the Tri-Cities Airport. Barge shipment options—both bulk and in containers—is available within port facilities at the largest public marine terminal on the upper Columbia River.

The matrix below presents each cost center according to the amount of benefit it provides to the community or private business (mission) and its current ROI (margin). The arrows illustrate the target ROI desired in the future.



### Targeted Rates of Return - Summary

Airport Line of Business	Targeted ROI	Port Line of Business	Targeted ROI
Airfield Operations	Break Even – 10 yrs *	Big Pasco	3-4%
Airline Lease Space	Break Even per FAA	Osprey Pointe	Positive Cash Flow *
Airport Concessions	5% Minimum	Wharf Property	3-4% *
Airport Parking	10% Plus	Future Real Estate	4-7%
Airport Ind'l Center	3-4%	Rail	4-5%
General Aviation	Break Even by 2035 *	Barge	4-5%

\* Indicates target ROI increasing over time

## Establishing Rates of Return

As the Port evaluates an investment, it takes the public benefit of the investment into account when establishing expected rates of return (ROI). The following criteria are strategically considered in setting the ROI for a particular investment. These criteria MAY be used to consider an ROI below the *target* ROIs shown in the matrix. This approach will be reviewed in 2025 – 2026.

1. How many jobs are created?
2. Are these family wage jobs?
3. Will there be a substantial increase to the overall tax base?
4. Is it an anchor tenant that will attract other tenants or outside investment?
5. Would it enhance the value/perception of surrounding properties?
6. Is it the type of industry that is being targeted by the port?
7. Are there non-economic community benefits associated with the investment?
8. Will the tenant increase the value of the Port's assets through private investment?
9. Is it an incubator use that supports the Port's overall economic strategy of the region?
10. Is it a long-term solid tenant?
11. Is it a compatible use?
12. Does it improve a specific vacancy rate for that type of facility?

## Planned Strategies

### Completed Planned Strategies

- ✓ The Port's advocacy was instrumental in the State of Washington adopting legislation to create Tax Increment Districts. These special finance tools pave the way for creative funding of public improvements and investments. This is a significant economic development tool.
- ✓ The Port advanced its energy strategy through interlocal partnerships with the local public utility district to explore approaches to the early and affordable supply of energy for new manufacturing facilities.
- ✓ The TriCities Airport has attracted new air service to select locations, enhancing economic and tourism connectivity.
- ✓ Since 2019 the Port has maintained its moderate property tax rate through the thoughtful use of grants and investments that provide positive cash flow.
- ✓ The Port has acquired and subsequently sold industrial property and worked with Pasco and the County to increase the industrial land base available in Franklin County. These acquisitions and strategic sales have bolstered the availability of industrial jobs.

### Planned Strategies

The Port's Planned Strategies serve as a roadmap to help guide and communicate the Port's goals in very specific terms. It is intended to provide that guidance for a foreseeable time frame based on the Port's understanding of the marketplace and local economy; needs of its customers, tenants, and citizenry; compliance with regulatory requirements; preservation of its resources and assets; and its aspirations for the future.

The Port recognizes the balance between a planned and intended future against the need for remaining flexible as conditions and opportunities change.

"Forward looking strategic effort is what we do between opportunities" and understanding this dynamic is key to the long-term success of the Port.

## Economic Development

The Port has historically played a significant role in economic development efforts in Franklin County. That role has included participation in area efforts to improve the economy and job base, as well as provide industrial and commercial property, marine and rail transportation facilities, and commercial air service.

Going forward, the Port will also be engaging in more traditional programmatic effort directly focused on marketing the region, job training and workforce development and market expansion.



## Planned Strategies

Current planned strategies represent the Port's highest priorities ranked by the time frame for execution. These Commission adopted strategies will be accompanied by tactical action steps to be developed by the Port staff.

### **1. Economic Development**

#### **2025-2026**

ED1: Affordable and readily available energy is paramount to a strong industrial economy. The Port will determine its capacity and ability to invest in energy production including small modular reactors (SMRs). This effort includes an evaluation of the Port's authority to enter the energy market.

ED2: In order to evaluate its historic impact on the local economy the Port will conduct an economic impact analysis with a five-year look back for each of its major lines of business.

#### **2026-2028**

ED3: To support the maintenance of an adequate supply of industrial property, explore creative approaches to minimize the acquisition cost of undeveloped industrial property.

ED4: Undertake a feasibility and cost – benefit analysis of creating an Industrial Development District and the associated IDD tax levy.

ED5: Explore the beneficial impacts and costs associated with creating a Targeted Urban Area that would provide an industrial property tax exemption for new or expanding manufacturers. This work is to be conducted in conjunction with local governments in Franklin County.

#### **2028-2030 and Beyond**

ED6: Maintain the viability of the Economic Development Opportunity Fund and identify sources of funds to replenish the fund balance.

## Industrial Properties Group

### Reimann Industrial Center

The Reimann Industrial Center (RIC) is a 300-acre industrial park along US 395. Anchored by Darigold the RIC provides food processors and other industries shovel ready sites on a BNSF Rail Certified property. The 600-acre facility located along the Columbia River is home to manufacturing warehousing, fruit and vegetable packing, and assembly and distribution plants. The Big Pasco Industrial Center includes nearly 2 million square feet of rail-served, improved buildings, and developable acreage for diverse industrial development, speculative development and build-to-suit arrangements.

### Pasco Processing Center (including Foster Wells Business Park)

The Pasco Processing Center (PPC) is a 250-acre food processing park along US- 395, providing food processors with in-place environmental permits enabling companies to fast-track plan construction.

There is an industrial wastewater treatment plant that is City owned, operated, and permitted; has sewer, water and natural gas systems which exceed standard capacity; has an electrical substation; and is sited at a prime location within the fertile Columbia Basin.

### Tri-Cities Airport Industrial Park

A 70-acre industrial park, east of the airport airfield, includes over 500,000 square feet of building space and is home to agricultural, small distribution, warehouse and manufacturing companies, and local governmental support shops.

ED7: Pursue a strategy of further diversifying the type of industries the Port will attract, including advanced manufacturing as well as targeting smaller, less market friendly, skilled trade industries. Consider the role the Wharf Property and the Airport Industrial Park could play in creation of a Trades District.

ED8: Continue to provide regional leadership for the creation of an AG Innovation Center.

ED9: Continue to explore the feasibility of an AG symbiosis industrial park.

## 2. Industrial Properties

### 2025-2026

IP1: The Port has operated aging industrial buildings which have served the local market well. However, declining physical conditions and increasing regulatory code requirements have created an economic tension in the Port's ability to maintain attractive lease rates. The Port will explore the feasibility and impact of making major investments in these facilities to significantly improve their function and condition.

IP2: The recent decision by Lamb Weston to close their Connell processing plant will have a significant negative impact on the regional economy. The Port, as part of its new land acquisition strategy, will develop an approach, working with Lamb Weston and the Connell community, to seek ways to mitigate the impact.

IP3: Create a 'Business Retention Response' program with local business and government agencies to organize resources to proactively and reactively respond to future threats of business closure or relocation. The effort to include a north Franklin area focus.

## **2028-2030 and Beyond**

IP4: Secure funding for the development of Phase I infrastructure for the Aerospace Innovation & Manufacturing Center.

### **3. Commercial and Mixed-Use Properties**

#### **Wharf Property, 2025-2026**

WP1: Consider creating and funding an economic development opportunity fund targeted at commercial properties.

WP 2: Develop a funding strategy for the upland development and river marine facilities for this iconic property. Include an assessment of the public benefits associated with the property.

#### **Osprey Pointe, 2025-2026**

OP1: Evaluate the progress on the development of the property in 2025 under the current agreement. Re-valuate in late 2025 to determine if a course correction is warranted.

### **4. Aeronautical**

#### **2025-2026**

AN1: Develop methods of building a sense of community ownership of the airport so that there is continued support for airport growth and the value it brings to the region.

AN2: Re-evaluate the current approach of incremental expansion and improvements to the commercial terminal. Consider the cost/benefit of launching a comprehensive upgrade and expansion of the facility in the next two years.

AN3: Develop a more effective messaging approach to improve the community's understanding that the Port of Pasco operates the TriCities Airport as an organizational component of the Port.

## Tri-Cities Airport (TCA) Aeronautical Operations

The TCA is a major commercial air carrier airport in southeastern Washington State served by Delta, Alaska, United, American Allegiant and Avello.

TCA serves the communities of southeastern Washington and northeastern Oregon, with over 437,000 enplanements per year to Seattle, San Francisco, Minneapolis/St. Paul, Denver, Salt Lake City, Los Angeles Burbank, Las Vegas, Phoenix Mesa and Phoenix-Sky Harbor. One fixed base operator serves the business and general aviation community.

General aviation, industrial, and commercial businesses requiring flight line access are served at two separate locations at the airport. Existing tenants include one fixed based operator, private hangars, shared t-hangars, and commercial businesses. Vacant lots are available for new development.



## 2028-2030 and Beyond!

AN4: Develop additional commercial air service destinations as airport facilities are expanded to accommodate the increased traffic.

### 5. Finance, 2025-2026

FN1: Adopt a policy on property tax usage that identifies acceptable uses, such as economic development opportunities, and any constraints, such as operations costs.

FN2: Develop a clear understanding and consensus on the methodology and assumptions the Port uses to calculate return on investment (ROI).

### 6. Marketing, 2028-2030 and Beyond!

MK1: Continually improve marketing efforts to keep the community informed about the Port and attract inbound investment.

### 7. Planning, 2028-2030 and Beyond!

PL1: Actively participate in the legislative process to advance the Port's priorities.



## Commercial and Mixed Use Properties Group

### Osprey Pointe

A mixed-use development on the banks of the Columbia River is currently under a Master Development Agreement to create a regional waterfront destination with residential, commercial, and recreational opportunities.

### Wharf Development Property

The Wharf is a highly visible waterfront site on a gateway entrance to Pasco; the Port is seeking qualified developers to partner in transforming this partial brownfield site into a mixed-use commercial development.

### Airport Business Center

The 86-acre Tri-Cities Airport Business Center, situated near the Airport and Columbia Basin College, has been developed for higher-end commercial businesses. The Center's high visibility location near the I-182 and Hwy 395 interchange is an ideal business setting and is anchored by a new Marriott Courtyard.



## **8. Workforce Development, 2028 – 2030 and Beyond!**

WD1: Continue to be a 'connector' between industry and the education community to advance workforce training and capacity. Explore a focused connection with the Hispanic Chamber to advance mutual priorities.

## **9. Internal and Organizational**

### **2025-2026**

OG1: Institutionalize the 2025 – 2030 Strategic Plan so that the Commission adopted priorities are maintained through the 2025 transition in leadership period. Beyond 2025 ensure the plan is a core reference document along with the Port's Operating and Capital Budgets as well as the Comprehensive Scheme of Harbor Improvements.

OG2: In mid-2025 undertake a 'staffing plan' analysis to assess current management team assignments and responsibilities. The analysis is to include more clarity in responsibilities, opportunities for continuing education and advancement as well as a capacity evaluation – in consideration of the priorities in this 2025-2030 Strategic Plan.

OG3: Review and update all position job descriptions in advance of the 'staffing plan' effort, including for the Port Commission and officers.

### **2026-2028**

OG4: Explore consolidation of Port and Airport maintenance teams to determine if there are any efficiencies or cost savings to be gained.

OG5: Develop a long-term succession plan for key Port positions.

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## Just imagine, in 2030...

- Osprey Pointe is built out and offers a water taxi service.
  - Big Pasco is known as being brewers row.
  - The airport announces new direct air service to Dallas Fort Worth.
  - The Airport Business Park has no vacancies.
  - The airport terminal operates 7 passenger gates and the control tower has been relocated.
  - The airport becomes the first commercial airport in the State that offers vertical lift flights.
  - There are automated shuttles to the auto parking lot.
  - The Port is awarded the State's first permit for a small modular reactor.
  - AIM Center's Phase #1 attracts 500 aerospace jobs.
  - Port acquires 300 acres to expand Reimann Industrial Center.
  - An Airport Industrial Park master plan has been completed, infrastructure has been improved, and development of new Port buildings are on schedule.
- 



## Opportunity Strategy: Benchmarks

These benchmarks have been established to evaluate new investment opportunities that were unforeseen and unanticipated at the time when the annual capital and operating budgets were adopted. The Port wants to remain flexible to capitalize on these “opportunity investments” but wants to be deliberate in evaluating the wisdom of investing. This consideration must be sensitive to the impact on “planned” investments and strategies.

### Project Specific Benchmark Checklist

- ✓ Is the project consistent with the Port’s guiding purposes, values, operational objectives, and initiatives?
- ✓ Does the project meet the Port’s rate of return threshold?
- ✓ Does the project provide extraordinary job creation?
- ✓ Is the Port’s opportunity fund sufficient for this effort?
- ✓ Are there joint ventures or grant partnership possibilities that would reduce the Port’s required investment in the project?
- ✓ What, if any, planned Port investment will be delayed or eliminated due to this opportunity investment and what are the short- and long- term consequences of that displacement decision? Is that acceptable?
- ✓ Will the market support the project’s success?
- ✓ Does the project seriously advance an existing governmental or community plan or policy?
- ✓ Can any other entity, private or public, undertake this investment opportunity?
- ✓ What should the Port’s role be? Support? Investment? Operations? Partner?

# OPPORTUNITY INVESTMENT DECISION TREE PORT OF PASCO

January 14, 2013

