

# ACTION ITEM MEMO

Port of Tacoma Commission



Item No: 6A

Meeting Date: 8/19/25

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**DATE:** August 11, 2025  
**TO:** Port of Tacoma Commission  
**FROM:** Eric Johnson, Executive Director  
Sponsor: Alisa Praskovich, Chief, Strategic Projects & Commission Relations  
Project Manager: Mark Moore, Senior Manager, IT Project Management  
**SUBJECT:** Real Estate Management System Project Approval (Project ID #101719.01)

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## A. ACTION REQUESTED

- **Project Authorization for \$585,000** plus WA state sales tax for project 101719.01 to replace the Yardi Real Estate Management System currently used by the Port and NWSA with a Microsoft Dynamics 365 Real Estate Management System.
- **Authorization to execute a sole-source Personal Services Agreement with Crowe, LLP for \$548,000** plus WA state sales tax to provide services required for the project.

## B. REAL ESTATE MANAGEMENT CURRENT STATE AND CHALLENGES

- The Port of Tacoma has over 100 leases which generate the majority of its \$44M in budgeted revenue. The NWSA has over 200 leases which generate the majority of its \$270M in budgeted revenue.
- The Port of Tacoma is the service provider for the real estate system used by the NWSA and the NWSA pays for this service via the Service Agreement allocation for IT services.
- The Port implemented the Yardi solution for real estate lease management in 2015. It is used by both the Port and NWSA for Lease Management and Billing. For many years we have paid around \$100,000 per year for Yardi, and we have optimized as much as possible to reduce our costs to \$71,355 per year for Yardi.
- Yardi is a costly solution that is difficult to maintain and not fully compliant with the GASB 87 lease accounting standard. The Port and NWSA use two separate instances of Yardi requiring Real Estate data to be in multiple systems that are separate from our D365 Financial system where Real Estate billing is done.
- Both the Port of Tacoma and NWSA desire a better solution for Real Estate Lease Management.

## C. MICROSOFT DYNAMICS 365 (D365) ENTERPRISE RESOURCE PLANNING (ERP) STRATEGY

The initial Dynamics 365 project, NextGen, replaced and consolidated systems and processes for several business areas:

- Core accounting and billing – replaced Microsoft Dynamics GP
- Purchasing processes – replaced purchasing functionality in Maximo
- Contracts processes – replaced contracts functionality in Maximo and e-Builder
- Claims Management – replaced Claim Jumper

Additionally, further functional areas are included in the D365 Enhancement Project:

- Funds Dimension for Accounting
- Grants Management
- Debt Management
- Advanced Procurement Portal
- Minor Enhancements
- Procure-to-Pay Optimization

D365 presents an opportunity to replace and consolidate further Port systems and integrate them natively within one ERP platform, leveraging the Port's technology investment. Real Estate functionality is one of the first additional areas to be considered for consolidation into our ERP platform.

In May 2025 Port Real Estate, NWSA Real Estate, Finance, and IT departments completed a system migration assessment with Crowe, LLP to help the Port and NWSA document existing real estate processes, define future requirements, determine feasibility, and refine expected costs for enhancing our D365 ERP platform to enable Real Estate Management capabilities. This assessment informed the scope, cost, and expected timeline for this project.

#### **D. SOLE-SOURCE WITH CROWE**

A sole-source contract with Crowe, LLP is in the best interest of the Port for the following reasons:

- Crowe is the Microsoft D365 Finance implementation partner selected by the Port via RFP in 2023, so they are very familiar with Port/NWSA financial processes
- Services provided by Crowe will utilize the pricing structure from the RFP selection
- Crowe has over 30 years of experience with ERP and lease accounting for the public sector and they are experts in GASB 87 and other lease accounting standards
- Crowe consultants have been involved in over 100 real estate engagements, and they built the Lease Management module that was purchased by Microsoft and included as part of the base D365 product
- Crowe has continued to build more lease management features which are available as part of the Crowe Solution for Lease Management subscription

#### **E. SCOPE OF WORK**

The scope of D365 Real Estate Management System project includes:

- Design and develop identified real estate capabilities in D365
- Integrate the new solution with the Port's Esri GIS system so Lease information is visible in our GIS system
- Migrate selected lease data from the current Yardi systems to the new D365 system
- Create detailed documentation and provide training to Port/NWSA staff
- Conduct testing of the new solution with Port/NWSA staff
- Provide enhanced system support for a period of 60 days after solution go-live

#### F. KEY BENEFITS OF A D365 REAL ESTATE SOLUTION

- Leverages existing Port D365 investment and aligns with the Port ERP Strategy
- Consolidate leases and billing into one system to enable efficiencies
- Compliant with GASB 87 and other required lease accounting standards
- Single source of truth for finance and operating leases
- Standardized workflows across Port and NWSA teams
- Improved naming and management of real asset locations
- Better visibility and reporting to support data-driven decisions
- Supports Port Strategic Plan Goals EV-1 and OS-1

#### G. TIMEFRAME/PROJECT SCHEDULE

|                       |                           |
|-----------------------|---------------------------|
| Design, Development:  | September – December 2025 |
| Testing:              | January – February 2026   |
| Training:             | March 2026                |
| Target Go-Live:       | April 2026                |
| Post Go-Live Support: | May – June 2026           |

#### H. FINANCIAL SUMMARY

The project costs are **\$585,000** plus WA State sales tax, and are comprised of one-time services and the first year of annual recurring costs:

|   | One-time          | Recurring         | Vendor                                   |
|---|-------------------|-------------------|--|
| D365 Enhancement Services                 | \$454,000         |                   | Crowe                                    |
| GIS Integration Services                  | \$17,000          |                   | GTG                                      |
| Services Contingency (15%)                | \$73,000          |                   |  |
| Additional D365 Licenses                  |                   | \$16,000          | Microsoft                                |
| D365 Real Estate Accelerator Subscription |                   | \$25,000          | Crowe                                    |
| <b>Sub-Total</b>                          | <b>\$544,000*</b> | <b>\$41,000*</b>  | <small>* Plus WA State Sales Tax</small> |
| <b>TOTAL First Year Cost</b>              |                   | <b>\$585,000*</b> |  |

**Annual recurring costs** for the D365 Real Estate Management solution are expected to be \$41,000, which is a **savings of \$31,000** per year compared to what we pay for the current Yardi Real Estate system.

#### I. SOURCE OF FUNDS

The Port of Tacoma 2025-2029 Capital Investment Plan (CIP) Budget allocates \$585,000 for the D365 Real Estate Management solution project.

##### *Financial Impact*

It is anticipated that the costs will be capitalized under GASB 96 as a Subscription-Based Information Technology Arrangement (SBITA). These capitalized costs will be amortized over the anticipated 5-year subscription term. As a result, annual amortization and interest expense are estimated at approximately \$117,000.