

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

|                        |               |
|------------------------|---------------|
| <b>Item No.</b>        | 6c            |
| <b>Date of Meeting</b> | June 25, 2013 |

**DATE:** June 17, 2013

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Darlene Robertson, Director, Harbor Services, Real Estate Division  
Kenneth R. Lyles, Senior Manager, Fishing and Commercial Vessels  
Fred Chou, Capital Project Manager, Seaport Project Management

**SUBJECT:** Fishermen's Terminal Net Shed Buildings Code Compliance Construction  
Funding Authorization (enhanced Option 1)

|                                    |             |                           |                          |
|------------------------------------|-------------|---------------------------|--------------------------|
| <b>Amount of This Request:</b>     | \$2,300,000 | <b>Source of Funds:</b>   | Real Estate General Fund |
| <b>Est. State and Local Taxes:</b> | \$209,000   | <b>Est. Jobs Created:</b> | 25                       |
| <b>Est. Total Project Cost:</b>    | \$2,950,000 |                           |                          |

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to: (1) proceed with the construction phase of the Fishermen's Terminal Net Shed Buildings Code Compliance Project (enhanced Option 1) including use of Port crews to perform the work; and (2) execute contracts to purchase materials for the project for an estimated cost not to exceed \$2,300,000 bringing the total authorization of the project to \$2,950,000.

**SYNOPSIS:**

Net shed or covered storage at Fishermen's Terminal is an essential asset for commercial fishermen and their operations and helps retain them as our tenants. It is also an important part of the infrastructure that will be required to double the economic value of the fishing and maritime sectors, as envisioned by the Century Agenda over the next 25 years. There are nine net shed buildings on the site with 246 individual lockers within those buildings, the sizes of which vary by building. Approximately 80% of the lockers are leased by fishermen on a month-to-month agreement. The majority of the lockers are divided within the building by chain-link/wire mesh partitions.

Since 2009 when the Port was cited for being in violation of various city codes, Port staff have been working with the Seattle Fire Department (SFD) and the Department of Planning and Development (DPD) to develop options and a viable plan to bring all of the net sheds into compliance with the applicable city codes, and working with the fishers to clean out the lockers to reduce unused materials and the fire risk.

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On June 5, 2012, staff presented to Commission four code compliance improvement options that addressed the regulatory deficiencies in Fishermen's Terminal's nine net shed buildings as identified by the SFD, and requested funds to proceed with design of an option. At that time, the four options were conceptual in nature. The Commission selected Option 1 of the four improvement options; at the time, Option 1 was estimated to be the lowest cost option at approximately \$2,000,000. The Commission authorized staff to proceed with the design and permitting phase of the project to determine whether Option 1 would be workable.

For the past year, staff have been designing and testing Option 1 and working with the stakeholders, including the City and the Fishermen's Terminal Advisory Committee (FTAC). As a result, the design of Option 1 has been refined to make the space more workable to meet the fishers' needs, and the total estimated project cost has risen to \$2,950,000. This is \$950,000 higher than the \$2,000,000 planning level estimate under Option 1 that the Commission selected. Tenants support the refined Option 1. The higher cost is primarily a result of adding new plywood partition walls where tenant spaces are currently separated only by wire mesh and installing new rack shelving in the lockers. Staff determined during the testing phase that the walls are necessary and would maximize the available storage space in the lockers. Without the partition walls, loss of space due to code required separation space between Class I-IV commodities and Group A plastics could be as high as 22% in smaller lockers and 13% in larger lockers.

In addition, staff had planned to use an existing rack shelving inventory inside the net lockers (racks salvaged from an Aviation warehouse facility a few years ago) and thought that inventory would be sufficient for all net lockers. Upon further assessment during design, only about 100 units out of the over 700 units needed were found to be fully usable. Also, column footing connection plates on the salvaged units would need to be modified to meet Seattle code requirements. It would have been necessary to buy additional units. In lieu of retrofitting existing components of the 100 salvaged units, it was determined purchasing new units would be cost effective and would eliminate potential structural liability issues. Overall, the wall construction and purchase of new racks each contributed to about half of the additional costs.

Staff is also recommending self-performing the work. Key reasons for self-performing work include schedule flexibility; types, shapes, and variety of materials stored; access needs by commercial fishermen to their gear/materials during construction; reduced risks and liabilities; onsite yard space constraints for temporary storage; and significant cost savings – savings of roughly 15% to 20% of the estimated construction costs could be achieved by self-performing work compared with implementing the work through a major works contract.

Staff now seeks the Commission's authorization to proceed with the final implementation of the proposed code compliant improvements.

### **BACKGROUND:**

Fishermen's Terminal is the homeport of the North Pacific Fishing Fleet, the hub of the maritime industry on the Lake Washington Ship Canal and a significant economic engine for Puget Sound

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and the region. Fishermen's Terminal generates jobs and helps the Port to achieve one of its Century Agenda goals of doubling the economic value of the fishing and maritime sectors over the next 25 years. In 2007, John Martin Associates estimated that there were 3,500 jobs tied to Fishermen's Terminal. Jobs associated with the Terminal generated \$356,000,000 in wages and salaries. Local business received \$180,000,000 in revenue from purchases by the Fishermen's Terminal fishing fleet, not including the landed value of the fish catch. State and local governments received \$44,000,000 of tax revenue generated by the activity at Fishermen's Terminal.

Fishermen's Terminal currently has nine net shed structures that vary in age, size, construction, and interior net locker configuration. Although the majority of these net sheds were originally constructed with ceiling heights of approximately 35 feet, primarily to accommodate drying of cotton fishing nets to be hung while being stored, this is no longer typically needed by commercial fishermen as modern nets are made of synthetic materials. Consequently, over the past 40 years or so, tenants have constructed non-permitted structural modifications, such as lofts, shelving and stairways, within many net lockers in order to better utilize their available storage and height within the locker. The overall quantity and types of items being stored, the majority of which is fishing-related gear and materials, in the net sheds have increased accordingly. Some fishermen participate in multiple fisheries and thus more gear is required. The storage situation has resulted in an existing "mixed commodity" storage condition that is defined as "high-piled" per the Seattle Fire Code, and therefore, is subject to greater regulatory restrictions and structural requirements than are currently in place.

Recognizing the need to correct a potentially hazardous and non-compliant storage condition, the Port began working with Fishermen's Terminal tenants in 2006 to address the non-permitted interior structural additions (e.g. lofts/mezzanines, shelving) within net lockers as well as storage policy violations. After inspecting the net sheds in April 2009 as part of this effort, the SFD cited the Port for various City of Seattle fire and building code violations. Since receiving the citation letter, the Port has been working with SFD and DPD to develop a viable plan to bring all of the net sheds into compliance with the applicable codes. As part of this effort, Fishermen's Terminal Operations staff has done the following: implemented various programs to assist tenants with cleaning out their net lockers and disposing of debris/materials, ensured appropriate uses within the lockers and encouraged and worked with some tenants to participate in an SFD-approved pilot storage program in which the Port has removed tenant-constructed lofts and supplied and installed rack-shelving units in 31 individual lockers. As other lockers have become vacant, lofts have continued to be removed.

Additionally, the Port procured the services of a fire protection engineering consultant to assist staff in determining and evaluating code compliant net shed storage options. After numerous meetings with the SFD, four separate code compliant net shed storage options were identified. The report was submitted to the SFD and DPD in February 2011 for their review and requested concurrence regarding the code compliance of the proposed options. After further coordination, in June 2011, the SFD and DPD concurred that, the four net shed storage options identified were compliant with the applicable fire and building codes and could therefore be used as a basis for

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developing a net shed improvement project design for eventual permit review by the City prior to construction.

The four code-compliant net shed storage options that were acceptable to the SFD were presented to the Commission in June 2012 with a recommendation from staff and the Fishermen's Terminal Advisory Committee for Option 3, which more closely matched the current usage by fishermen (considered mixed commodities and high piled storage). The Commission elected to proceed with Option 1, the least costly option, and authorized staff to proceed with the design and permitting phase of the project and to see if Option 1 is workable.

Staff consulted with the SFD on Option #1 and the additional collaboration resulted in refinement to designs which are as follows:

- Installation of new plywood partition walls abutting the existing wire mesh dividers between lockers up to a height of 14 feet. The addition of plywood partitions will provide for more usable space within the net lockers and will allow unlike commodities (Group A plastics and Class I through IV commodities) in abutting net lockers to be stored directly against the new partition walls rather than require a minimum of two-foot separation between commodities in adjoining net lockers. Without the partition walls and maintaining the commodity separation requirements between adjacent lockers, loss of floor space could be as high as 22% in smaller lockers and 13% in larger lockers. Staff reached agreement with SFD that Group A plastics, if stored within lidded wooden boxes or what is called "Gaylord" boxes (corrugated fiberboard boxes for bulk packaging), they could be stored alongside Class I through IV commodities without the two-foot minimum separation and could be stored to a height of 12 feet as with Class I through IV commodities rather than the 6-foot maximum without the boxes. This allows the fishermen the ability to "mix" their commodities to some degree. The boxes would be provided by the customers. Being able to place Class I-IV commodities and Group A plastics together (if in Gaylord or wooden boxes) will greatly improve the customer's utilization of the available storage space.
- Bulk storage racks, such as those already installed by the Port in the pilot net lockers, are essential to meeting tenant storage requirements because they facilitate organization, and ease of use and maximize storage potential. Per the building code, bulk storage racks like the ones we have been using need to be able to resist lateral seismic forces, be properly anchored, and require a permit. Providing proper anchorage in the asphalt pavement that exists in most of our net lockers is challenging and staff has come up with a low-cost precast counter weight solution that would allow racks to be portable and configured in different width modules independent of floor/ground surface types and be compliant with the codes. In theory, tenants could provide racks and install the foundation on their own. However, getting racks permitted through DPD, rack uniformity, and having the necessary anchorage system designed and installed by tenants while they are on a month-to-month lease arrangement is considered highly impractical and unreasonable by our tenants. Therefore, staff recommends that the Port continue to provide the rack shelving.

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Staff worked with net locker tenants and presented two retrofitted, test net lockers at a December 19, 2012, net locker open house. Feedback received was positive. Despite knowing that loft removal and segregation of commodities would present major challenges to them compared with the way they have been storing their commodities, general consensus by the attendees was that the partition walls, wooden or Gaylord box enclosures, and rack shelving would indeed help maximize space utilization and allow more storage flexibility. Customers support the refined option. Open house results were shared with FTAC, and they have “endorsed the plan for Option 1 with refinements.” Subsequently, staff has further refined the design and worked with DPD on permitting. In April 2013, FTAC sent the Commission a letter in support of the refined Option 1, a copy of which is attached, and asked that the email be read into the record.

Staff also revisited construction costs and construction/procurement contract methodologies. The construction cost is approximately \$950,000 higher than the \$2,000,000 preliminary level cost estimate shared with the Commission last year for Option 1. The higher costs are primarily a result of a combination of cost refinements, adding new partition walls, and installation of additional rack shelving that would make Option 1 more workable for our tenants by maximizing utilization of available space.

Having functional net lockers nearby where fishermen’s vessels are moored and businesses are located is critical to the tenants and would help retain them here at Fishermen’s Terminal, which helps to support the Port’s Century Agenda objective of doubling the economic value of the fishing and maritime cluster.

Self-performing this work is recommended because of the types of items stored, access needs by fishermen, tenant impacts, and lower costs compared to executing work through major works contracts. Staff estimates that self-performing the work would achieve a savings of roughly 15% to 20% of the estimated construction costs.

With the selection of Option 1 for the code compliance project, staff revisited net shed customer demand and the capacity analysis. Staff have reconfirmed that two net shed buildings can be demolished and the space utilized for potential future development without significant negative impact to the fishing fleets. This is because approximately 20% of the net sheds are leased to non-active fishers, upland tenants or the general public. This information is included in the draft 25-year plan assumptions and in potential development scenarios that have been identified thus far. As the Commission has not yet made any decisions on the 25-year plan, staff’s recommendation is to phase the net shed buildings compliance improvements such that improvements to the four net shed buildings that were identified in two potential development scenarios, i.e., net sheds 3 and 4, or 7 and 8, and implementation of the improvements to these buildings would fall at the end of the multi-year compliance construction in 2015. Staff would begin with the improvements to the five buildings most likely to remain in any development scenario, which are net shed buildings #5, 6, 9, 10 and 11. Potential cost savings would result if future redevelopment plans involve removal of net sheds prior to their being improved as part of this project. For example, not completing the improvements described above to buildings 7 and 8 could result in a cost reduction of approximately \$450,000.

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### **PROJECT JUSTIFICATION:**

The improvements are a safety and code compliance requirement as cited by the Seattle Fire Department. The construction of the proposed Fishermen's Terminal Net Sheds Code Compliance Improvements project will enable the Port to comply with legal requirements, address potentially unsafe storage conditions, meet its customers' needs to the best extent possible, and update an asset the fishing community considers essential to continue to operate at Fishermen's Terminal. The ongoing presence of the fishing fleet helps to anchor the maritime sector in Seattle and will contribute to the Century Agenda goal of doubling the economic value of the fishing and maritime sectors.

#### ***Project Objectives:***

- Comply with code and regulatory requirements
- Minimize disruptions to net locker tenants
- Complete the project within the approved budget and outlined schedule
- Find ways to provide customers with as much usable space as possible given there will be a reduction overall.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### ***Construction Scope of Work:***

The proposed net shed improvements will generally consist of the following:

- Removal, temporary storage, and return of net locker contents;
- Removal of existing lofts and other non-approved structures;
- Fabrication and installation of 14-foot-high wood frame plywood partition walls in the net locker;
- Procurement and installation of steel storage racks and associated anchorages/foundations;
- Provide net locker storage guidance (guidance marking, signage, printed guidance materials); and
- Multiple disposal and recycling events for tenants to dispose of net locker contents/items no longer needed by the customers.

#### ***Schedule:***

With the Commission's approval of construction funding, staff anticipates that some construction and procurement activities would begin in summer of 2013, with the first phase of major construction to occur in the fall of 2013 upon return of the fishermen. The overall work will be performed in phases and is estimated to be completed by mid-2015.

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### **FINANCIAL IMPLICATIONS:**

| <b><i>Budget/Authorization Summary:</i></b>  | Expense     | Total Project |
|----------------------------------------------|-------------|---------------|
| Original Budget                              | \$2,000,000 | \$2,000,000   |
| Previous Authorizations                      | \$650,000   | \$650,000     |
| Current request for authorization            | \$2,300,000 | \$2,300,000   |
| Total Authorizations, including this request | \$2,950,000 | \$2,950,000   |
| Remaining budget to be authorized            | \$0         | \$0           |
| Total Estimated Project Cost                 | \$2,950,000 | \$2,950,000   |

| <b><i>Project Cost Breakdown:</i></b> | This Request | Total Project |
|---------------------------------------|--------------|---------------|
| Construction                          | \$2,241,000  | \$2,241,000   |
| Construction Management               | \$195,000    | \$195,000     |
| Design                                | (\$247,000)* | \$153,000     |
| Project Management                    | (\$98,000)*  | \$102,000     |
| Permitting                            | \$0          | \$50,000      |
| State & Local Taxes (estimated)       | \$209,000    | \$209,000     |
| Total                                 | \$2,300,000  | \$2,950,000   |

\* The \$650,000 design funding approved by the Commission in June 2012 was originally requested for the design of Option 3. With the level of effort required for the design of Option 1 being much less than Option 3, adjustments here reflect the current cost projections for design phase .

### ***Budget Status and Source of Funds:***

The Fishermen's Terminal Net Shed Buildings Code Compliance expense project was included in the 2013 Operating Budget, with \$1,000,000 of spending budgeted in 2013 and an additional \$1,000,000 in spending expected in 2014 for a total of \$2,000,000. Amounts required for future years will be included in the 2014 and 2015 operating budgets, respectively. This project will be funded by the Real Estate General Fund.

### ***Financial Analysis and Summary:***

|                                    |            |
|------------------------------------|------------|
| <b>CIP Category</b>                | Compliance |
| <b>Project Type</b>                | Regulatory |
| <b>Risk adjusted discount rate</b> | NA         |

|                                  |                                                                                                                                                                                                                                                              |
|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key risk factors</b>          | <ul style="list-style-type: none"><li>• Costs increase due to unforeseen needs or higher than planned costs.</li><li>• Life of assets is less than 25 years</li><li>• Revenues not met due to changes in competitive forces or a drop in occupancy</li></ul> |
| <b>Project cost for analysis</b> | \$2,950,000                                                                                                                                                                                                                                                  |
| <b>Business Unit (BU)</b>        | Harbor Services Group – Fishermen's Terminal                                                                                                                                                                                                                 |

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|                                       |                                                                                                                                                                                                                                                                                                                                    |         |           |           |         |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|-----------|-----------|---------|
| <b>Effect on business performance</b> | The FT Net Shed Code Compliance project will not generate any incremental revenue. However, the project is necessary to keep the FT Net Sheds in service, thus preserving revenues generated over the remaining useful life of the sheds. The project is an expense project, so NOI will be lowered by amounts spent each year. ** |         |           |           |         |
|                                       |                                                                                                                                                                                                                                                                                                                                    | 2012    | 2013      | 2014      | 2015    |
|                                       | NOI                                                                                                                                                                                                                                                                                                                                | (\$115) | (\$1,000) | (\$1,200) | (\$635) |
| <b>IRR/NPV</b>                        | NA                                                                                                                                                                                                                                                                                                                                 |         |           |           |         |

Note\*\*: The Fishermen's Terminal Net Sheds, including this code compliance project and all future electrical upgrades, roof replacements and regular painting and routine maintenance of the nine buildings are expected to generate approximately a 7.0% return over the next 25 years.

### ***Lifecycle Cost and Savings:***

Staff explored, and with Commission approval, would plan to implement plywood partition walls and rack shelving systems with portable foundations to be installed in some of the net sheds. Plywood wall sheathing, though a higher initial cost compared with using gypsum wallboard, was chosen for long-term durability, and the precast foundations would allow flexibility to reconfigure and move racks in the future, which reduces lifecycle cost. Staff will continue to explore opportunities to reduce lifecycle costs and additional savings in the remaining phases of the project.

### **STRATEGIC OBJECTIVES:**

The project supports the Port's Century Agenda to position the Puget Sound region as a premier international logistics hub by doubling the economic value of the fishing and maritime cluster.

### **BUSINESS PLAN OBJECTIVES:**

This project is aligned with the business plan objectives to maintain safe facilities and assets, provide customers with compelling value and to maintain the North Pacific fishing fleet at Fishermen's Terminal.

Dry locker, or net shed, storage is an important feature and service that Fishermen's Terminal provides to our commercial fishing customers. These customers rely on covered, enclosed storage facilities for storing weather-sensitive mechanical equipment, gear, or other types of property used in the fishing industry and in the sustainability of their respective fishing vessels. Having their equipment, gear, and commodities close at hand to the vessel and their business is important.

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### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

Alternative 1: Do nothing. The improvements to the buildings are primarily code requirements and not taking action would result in violation of building and fire codes and potentially deprive the fishing fleet of the continued use of the critical net-shed resource if the occupancy permit was revoked. This is not the recommended alternative.

Alternative 2: Proceed with code required loft removal and other components of Option 1, and do not proceed with additional partition walls and rack shelving installation. The installation of partition walls and racks are essential to our tenants and their operations. It would maximize available storage in an already reduced storage situation because of removal of lofts, segregation of materials and height and spacing requirements per code. Without shelving/racks and partition walls, the net lockers would be less functional to fishermen and could be a deciding factor when fishing customers consider keeping their operations at Fishermen's Terminal. This is not the recommended alternative and is not supported by the Fishermen's Terminal Advisory Committee and stakeholder feedback.

Alternative 3: Complete the required code improvements by implementing storage Option 1 as approved by the Commission on June 5, 2012, but with the modifications as described above. These modifications were developed in coordination with the Seattle Fire Department and endorsed by the Fishermen's Terminal Advisory Committee and are wanted by net locker tenants. Having functional net lockers located near tenant vessel moorage and businesses is critical to the commercial fishing tenants and would help retain them at Fishermen's Terminal while supporting the Port's Century Agenda objective of doubling the economic value of the fishing and maritime sectors. **This is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

- Computer slide presentation.
- Fishermen's Terminal Advisory Committee Letter to the Commission dated April 24, 2013.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

- March 10, 2009 – As part of the Working Waterfront roundtable discussion held at the Nordic Center in Ballard, a briefing was provided to the Commission regarding the need to address the existing net shed storage concerns at Fishermen's Terminal.
- April 12, 2011 – The Commission authorized increasing the budget of the Fishermen's Terminal Net Sheds Code Compliance Effort expense project from \$300,000 to \$500,000.
- December 6, 2011 – As part of the Fishermen's Terminal 25-Year Plan and Net Sheds briefing, a summary of four net shed storage code compliance options identified as a result of the Fishermen's Terminal Net Shed Code Compliance effort was provided to the Commission along with a recommendation that Option 3 be implemented as a capital improvement project to achieve the required code compliance.

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- June 5, 2012 – The Commission authorized funding of \$650,000 to proceed with the design and permitting phase for Option 1 of the Fishermen’s Terminal Net Shed Code Compliance options to see if Option 1 is workable.