

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

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

**Item No.** 4d  
**Date of Meeting** September 27, 2016

**DATE:** September 20, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Lindsay Pulsifer, Maritime Director  
Tracy McKendry, Senior Manager, Recreational Boating  
Mark Longridge, Capital Project Manager  
**SUBJECT:** Replacement of Shilshole Bay Marina Restrooms with Multi-use Customer Service Facilities (CIP #C800356)

**Amount of This Request:** \$893,000      **Source of Funds:** General Fund  
**Est. Total Project Cost:** \$12,000,000

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to perform additional design, conduct environmental review, solicit additional public and tenant input, prepare necessary permit submittals, and prepare construction bid documents for the replacement of the Shilshole Bay Marina restroom and laundry facilities and associated leased space in the amount of \$893,000 for a total design authorization of \$1.6 million and a total project cost estimated at \$12 million.

**SYNOPSIS**

The existing restroom and shower facilities at Shilshole Bay Marina (SBM) were built in 1962 as part of the original marina construction and are at the end of their service life. Evidence of this includes:

- Plumbing and electrical services are failing.
- Ventilation and floor drainage are inadequate.
- Florescent lights do not meet electric codes.
- Electric wall heaters are inefficient and failing.
- Buildings do not meet current energy codes.
- Finishes and tile grout are heavily worn.

In addition, the existing facilities do not meet current ADA standards for showers, doorways, sinks, mirrors, or water fountains.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 2 of 9

As result, maintenance requirements continue to increase while repairs are constrained by the presence of lead paint, asbestos, and the required hazardous materials abatement. In addition, customers and visitors are negatively impacted since restrooms are closed during repairs.

In their current condition, Shilshole's restrooms do not adequately meet the needs of moorage tenants, commercial customers, and marina visitors, who expect suitable and accessible facilities. In fact, deteriorated restrooms put SBM at a competitive disadvantage when compared to other local marinas.

The marina industry is anticipating a downturn in boating participation as the baby boomers age out of boating. To combat this trend, Shilshole is pursuing a long term strategy of creating a destination marina. A marina that has more assets, amenities and value for the customer, will be more protected against this expected decline.

The construction of new restrooms at Shilshole Bay Marina also offers a potential new revenue and amenity opportunity by expanding the project scope to include a second level with leased space. When considering this option, Shilshole staff reached out to various members of the Northwest Marine Trade Association and found that 11 small businesses were interested in potential retail or office space at the marina. Other options for a second level include moving the Port's marina office to one of the 2nd level locations, which would then open up 2,500 square feet of a highly desirable, leased space in the main marina building.

## **BACKGROUND**

Shilshole Bay Marina is the largest marina in Seattle with more than 1,400 moorage slips and an occupancy rate of approximately 94 percent. Moorage is primarily long-term recreational moorage, with an additional 8,000 guest moorage visitors annually. SBM also serves commercial fishing vessels, tribal vessel owners, summer season cruise line with small vessels along with the maritime businesses that support them. Vessel sizes ranges from small kayaks to mega-yachts; however, sailboats fill about 80 percent of slips.

SBM was built in the late 1950s with the first dock opening in 1960. There are five 50-plus-year-old restrooms that were initially slated to be replaced during the planning phases of the 2006-2008 Shilshole Dock Replacement and Marina Related Projects program. The restroom replacement was removed from the plan due to higher-than-anticipated overall project costs.

Not replacing the deteriorating, multi-purpose restroom facilities has resulted in rising maintenance and repair costs, and ultimately could negatively affect Shilshole's occupancy rate and revenue since survey data shows that boaters rank multi-purpose restroom facilities as their top reason when selecting marinas to visit.

From the Port of Seattle's 2013 Economic Impact Study, the Port's recreational boating marinas generated 323 jobs, almost \$7.5 million in local purchases; \$21.6 million in business revenues and \$1.8 million in state and local taxes, the majority of which is from Shilshole Bay Marina, which generates gross income of \$5.6 million annually.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 3 of 9

Port staff conducted extensive project outreach including 17 group and individual meetings with moorage customers, tenants, liveaboards and dock captains. Additional feedback was also collected via a number of surveys, and through a project email. Staff responded to more than 90 individual emails submitted through this outreach email account.

### **PROJECT JUSTIFICATION AND DETAILS**

The current restroom facilities are at the end of their useful life. Replacing these with new customer service buildings will help maintain SBM's current occupancy rate and improve the level of service expected at this first-class Port facility.

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

Replace the current restroom facilities at SBM with new customer services buildings that include restrooms, showers, laundry facilities, and other tenant-use improvements to provide a level of service above what is currently provided. Incorporate the feedback received from moorage and business tenants during the individual and public outreach meetings to provide the best user experience possible.

#### ***Scope of Work***

The initial site plan work concept recommended the replacement of the M1 restroom building in its current location, and the consolidation of the four remaining restrooms into two customer service buildings. The consolidated buildings would serve the north and south end of the marina respectively. However, during a robust outreach effort by Port staff this approach has been refined to reduce walk times in the North end of the marina, and add the possibility of leasable space on a second floor of the new facilities. This request incorporates the additional amount to perform the design of the revised plan.

Each of the larger buildings (South and Central) would have a footprint of approximately 2,500 square feet and include ADA accessible restrooms, showers, laundry facilities, and other services for all marina tenants and guests. The newly added North Restroom would be approximately 800sf and include individual unisex restroom and shower facilities. Although consolidated into fewer buildings the new facilities would significantly increase the number of showers over the existing configuration, and double the current laundry capacity, both top priorities in outreach feedback.

The recommended proposal also includes the addition of a second floor leased area to be incorporated into each of the larger buildings (South and Central locations shown in the attached site plan). These would be leased to marine related businesses if possible, and one of the two could potentially be used for the Port marina offices, freeing up the current marina office location in the A-1 building for leased space.

The updated design effort will explore sustainable design features such as renewable energy, utilization of energy efficient products, water saving or recycling features, along with features or services that might generate additional revenue. The current plans include water saving fixtures,

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 4 of 9

onsite stormwater management and rooftop photovoltaic panels to offset a significant portion of the building's electrical use.

### ***Schedule***

The project consists of two phases: 1) First phase: construction of the new buildings; 2) Second phase: demolish existing structures. This schedule allows for the continued use of the existing facilities until the new buildings are available. Port staff is also considering the feasibility of repurposing the existing buildings to other uses such as leased storage area, another amenity requested by business and moorage tenants.

The current schedule for this project is:

Remaining design and permitting	9 months	Sept 2016 – June 2017
Bidding, award submittals and NTP	4 months	June 2017 – Oct 2017
Site Construction	8 months	Oct 2017 – June 2018

## **FINANCIAL IMPLICATIONS**

### ***Budget/Authorization Summary***

	Capital	Expense	Total Project
Original Budget	\$5,500,000	\$0	\$5,500,000
Previous Authorizations	\$707,000	\$0	\$707,000
Current request for authorization	\$893,000	\$0	\$893,000
Total Authorizations, including this request	\$1,600,000	\$0	\$1,600,000
Remaining budget to be authorized	\$10,400,000	\$0	\$10,400,000
Total Estimated Project Cost	\$12,000,000	\$0	\$12,000,000

### ***Project Cost Breakdown***

	This Request	Total Project
Construction	\$0	\$8,632,000
Construction Management	\$124,000	\$1,111,000
Design	\$462,000	\$919,000
Project Management	\$240,000	\$386,000
Permitting	\$67,000	\$129,000
State & Local Taxes (estimated)	\$0	\$823,000
Total	\$893,000	\$12,000,000

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

This project was included in the 2016 Capital Plan and related Plan of Finance under CIP #C800356 SBM Restroom/Service Buildings Replacement for \$5,500,000. The current project budget including the addition of second floors to the larger buildings is \$12M, but includes revenue potential, as described above.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 5 of 9

This project will be funded by the Maritime General Fund. Additional alternatives to increase overall revenue at the facility are being considered.

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

<b>CIP Category</b>	Renewal/Enhancement																																				
<b>Project Type</b>	Renewal & Replacement																																				
<b>Risk adjusted discount rate</b>	7.5%																																				
<b>Key risk factors</b>	<ul style="list-style-type: none"><li>• Project schedule could be delayed due to weather or the need to minimize the impacts of construction to existing tenants.</li><li>• Costs could exceed estimated costs.</li><li>• Leasing office space may take longer than anticipated</li></ul>																																				
<b>Project cost for analysis</b>	\$12,000,000																																				
<b>Business Unit (BU)</b>	Maritime Recreational Boating																																				
<b>Effect on business performance</b>	<p>Additional revenue will be generated from leasing the second floor space. Incremental costs include broker fees, tenant improvements, and maintenance costs. Depreciation expense, assuming an asset life of 30 years, is \$400K annually.</p> <table border="1"><thead><tr><th><u>NOI (in \$000's)</u></th><th><u>2018</u></th><th><u>2019</u></th><th><u>2020</u></th><th><u>2021</u></th><th><u>2022</u></th></tr></thead><tbody><tr><td>Revenue</td><td>58</td><td>118</td><td>122</td><td>126</td><td>129</td></tr><tr><td>Expenses</td><td>(155)</td><td>(10)</td><td>(11)</td><td>(11)</td><td>(11)</td></tr><tr><td>NOI after Depn</td><td>(98)</td><td>108</td><td>111</td><td>115</td><td>118</td></tr><tr><td>Depreciation</td><td>(200)</td><td>(400)</td><td>(400)</td><td>(400)</td><td>(400)</td></tr><tr><td>NOI after Depn</td><td>(298)</td><td>(292)</td><td>(289)</td><td>(285)</td><td>(282)</td></tr></tbody></table>	<u>NOI (in \$000's)</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	Revenue	58	118	122	126	129	Expenses	(155)	(10)	(11)	(11)	(11)	NOI after Depn	(98)	108	111	115	118	Depreciation	(200)	(400)	(400)	(400)	(400)	NOI after Depn	(298)	(292)	(289)	(285)	(282)
<u>NOI (in \$000's)</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>																																
Revenue	58	118	122	126	129																																
Expenses	(155)	(10)	(11)	(11)	(11)																																
NOI after Depn	(98)	108	111	115	118																																
Depreciation	(200)	(400)	(400)	(400)	(400)																																
NOI after Depn	(298)	(292)	(289)	(285)	(282)																																
<b>IRR/NPV</b>	Net Present Value is (\$9,579,000)																																				

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

The existing restrooms at Shilshole Bay Marina have been in place for over 50 years. They have significantly exceeded the original lifespan expectations. The new buildings will not have significant repair costs in the first 10-15 years. The design will take into account the total cost of ownership when making decisions on materials and finishes.

## **STRATEGIES AND OBJECTIVES**

This project supports the Century Agenda strategy of “advancing this region as a leading tourism destination and business gateway” by providing needed facility improvements to Shilshole Bay Marina, including building of new leased square footage.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 6 of 9

### ***Environmental Stewardship:***

Meet existing environmental water, materials, and energy requirements coincident with providing adequate number of landside restroom, shower, and laundry facilities for SBM tenants and visitors.

This project provides numerous important sustainability opportunities, implementing the Port's commitment to environmental compliance, innovation, and stewardship. These include the potential use of locally sourced, recycled, re-used/refurbished materials, inclusion of renewable and efficient energy systems, and storm water management improvements.

### ***Business Plan Objectives:***

Provide customers with compelling value. To meet the needs of moorage customers who have rated replacement of restrooms as the #1 improvement needed for SBM.

This project represents an investment in the Port's current facilities and supports the long-term vitality of Shilshole Bay Marina as a key asset in the organization's real estate portfolio. The addition of leased space on the second floor of two of the buildings also provides economic development benefits. Outreach to local maritime businesses indicates a significant interest in commercial space at SBM.

### ***Community Benefits & Small Business Opportunities:***

Updating the customer service buildings at SBM provides an improved experience for moorage customers, tenants and the general public that use and visit the facility.

The project manager will coordinate with the Small Business Team to maximize small business opportunities as direct contracts or through subcontract opportunities.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

### **Alternative 1 – Status Quo**

Continue to maintain the existing restroom facilities in their current configurations and location. This would result in continued high maintenance costs and a poor level of service for marina customers including the lack of ADA compliant facilities.

#### **Cost Implications:**

Capital Investment: \$0

IRR: N/A

Revenue Potential: \$0/yr

NPV: N/A

#### **Pros:**

- (1) Lowest initial capital cost

#### **Cons:**

- (1) Poor level of service for customers
- (2) Increased maintenance costs expected as facilities continue to age and wear out

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 7 of 9

(3) Need for replacement simply deferred

This is not the recommended alternative.

### **Alternative 2 - One Story Replacement**

Replace the current four restrooms with three one story customer service buildings (North, South and Central) to include showers, restrooms, and laundry facilities (in larger buildings). This would not allow for revenue opportunities or leased office space in the new facilities.

#### **Cost Implications:**

Capital Investment: \$7.7M

Revenue Potential: \$0/yr

IRR: N/A

NPV: (\$7.3M) the present value of the project costs

#### **Pros:**

- (1) Lower initial costs without addition of second floor space(s).
- (2) Meets customer needs for facility expansion and replacement.
- (3) Increases fixture counts (toilets, sinks and especially showers) over existing facilities.
- (4) Doubles current laundry capacity.
- (5) Provides facilities expected for a marina of this size and caliber.

#### **Cons:**

- (1) No revenue potential, strictly renewal & replacement.

This is not the recommended alternative.

### **Alternative 3 – Add a Second Floor to One Building**

Replace the current four restrooms with three customer service buildings to include showers, restrooms, and laundry facilities. Include an upper floor on one of the larger buildings

This would allow for revenue opportunities or leased office space in one of the new facilities.

#### **Cost Implications:**

	Alternative 3 Total	2nd Floor Increment
Capital Investment	\$9.85M	\$2.15M
Revenue Potential	\$57,500 per year	\$57,500 per year
IRR	(2.04%)	3.00%
NPV	(\$8.6M)	(\$1.3M)
Payback	Longer than asset life	31 years

#### **Pros:**

- (1) Lower initial costs without addition of a second floor space to both buildings
- (2) Meets customer needs for facility expansion and replacement.
- (3) Increases fixture counts (toilets, sinks and especially showers) over existing facilities.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 8 of 9

- (4) Doubles current laundry capacity.
- (5) Provides facilities expected for a marina of this size and caliber.
- (6) Potential to add a marine-related business in the 2,500 sf leased space, providing a revenue opportunity and additional amenities for customers.

### Cons:

- (1) Higher initial capital costs per square foot, addition of second floor necessitates inclusion of an elevator and two stairwells by code, which are higher cost items.
- (2) Revenue potential will not cover all costs, majority of project costs are strictly renewal & replacement.

This is not the recommended alternative.

### **Alternative 4 – Add a Second Floor to Two Buildings**

Replace the current four restrooms with three customer service buildings to include showers, restrooms, and laundry facilities. Include upper floors on both of the larger buildings. Include leasable space in one of the new upper floors and move the Port offices to the other.

This alternative takes best advantage of consolidating the building shell and mechanical systems within fewer buildings, providing a potential cost savings, along with improved services compared with the existing configuration, providing additional onsite services for tenants and also maximizing lease revenue opportunities for the Port facility.

### Cost Implications:

	Alternative 4 Total	2 <sup>nd</sup> Floor Increment
Capital Investment	\$12M	\$4.3M
Revenue Potential	\$115,000 per year	\$115,000 per year
IRR	(.41%)	3.00%
NPV	(\$10.0M)	(\$2.7M)
Payback	Longer than asset life	31 years

### Pros:

- (1) Meets customer needs for facility expansion and replacement.
- (2) Increases fixture counts (toilets, sinks and especially showers) over existing facilities.
- (3) Doubles current laundry capacity.
- (4) Provides facilities expected for a marina of this size and caliber.
- (5) Potential to add a marine related business in both 2,500 sf leased spaces, including the potential for ground level retail space, maximizing revenue opportunity and additional amenities for customers.



## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

September 20, 2016

Page 9 of 9

### **Cons:**

- (1) Highest initial capital costs of alternatives considered, addition of second floor necessitates inclusion of an elevator and two stairwells by code, which are higher cost items
- (2) Revenue potential will not cover all costs, majority of project costs are strictly renewal & replacement

**This is the recommended alternative.**

### **ATTACHMENTS TO THIS REQUEST**

- Proposed Site Plan
- Computer Slide Presentation

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

- Design Authorization request - September 30, 2014 – Tabled
- Design Authorization request – January 6, 2015 – Approved