

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

**COMMISSION AGENDA**

Item No. 10a

Date of Meeting March 10, 2009

**DATE:** February 20, 2009

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

**FROM:** Mark Longridge, Capital Project Manager, Capital Development Division  
Melinda Miller, Director, Portfolio & Asset Management, Real Estate Div.  
Darlene Robertson, Director, Harbor Services, Real Estate Division

**SUBJECT:** Authorization for design, permitting and construction of interim landscaping, flatwork improvements and lighting of the restaurant pad area at Shilshole Bay Marina, at no increase to the previous \$80,000,000 project authorization.

**ACTION REQUESTED**

Request Port Commission approval for the Chief Executive Officer to:

1. Spend existing funds from the approved Shilshole Project budget for design, permitting and construction of interim landscaping, flatwork improvements and lighting at a currently unfinished gravel & dirt pad site of approximately 25,000 square feet located in the Central Plaza area at Shilshole Bay Marina in an amount not to exceed \$300,000. This amount would include:
  - Design and permitting for the work using Port staff and consultants by entering into or amending existing service agreements by service directive.
  - Purchase materials with long lead times.
  - Construct improvements to this area to include landscaping, irrigation, lighting, flatwork, and other amenities using Small Works contracts, Port labor, or a combination of both.

This work would complete the Shilshole Redevelopment. This-authorization of funds is required due to the change from the original scope of work which is discussed below. The original project budget included funding to complete permanent flatwork, utility and lighting improvements around and up to the proposed restaurant building, and as such this work can be accomplished within existing funding authorization, and no budget adjustment to the previously approved \$80M capital budget for the overall Shilshole Renewal and Replacement program is required.

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### **SYNOPSIS**

There is one remaining improvement to be made to complete the Shilshole Bay Marina Redevelopment Project. It currently is a rough graded, unfinished gravel and dirt pad site of approximately 25,000 square feet, surrounded by temporary construction fencing. It is not suitable for public use in its current condition due to unfinished flatwork, exposed rebar transitions, uneven loose gravel surfaces and inadequate lighting. The site in its current configuration at the center of the Marina impedes access to/from some of the docks to the parking areas, the Marina Building and to the other areas of the facility.

The original plans approved by the Commission for this area incorporated a restaurant pad site with the intent of Anthony's Restaurant ground leasing the area and building a restaurant. Anthony's terminated lease negotiations last year and will not be building a restaurant at Shilshole due to high construction costs and the deteriorating economic situation. Therefore, the Port will need to remove the construction fencing and finish the area. At some future point, when the market improves, we will reassess opportunities for another restaurant at Shilshole Bay Marina.

Port staff requests approval of design, permitting and construction funding to complete paving, landscaping, lighting, irrigation and other work in the Central Plaza area at Shilshole to make the area safe and available for use by Marina tenants, visitors and the public. The current estimate to complete design, permitting and construction of this work is an amount not to exceed \$300,000. This re-authorization of funds is required due to the change from the original scope of work.

The intent of this design will be to finish the area in such a way as to provide a useable, safe, aesthetic space at a low cost, and without precluding the future use of the site for functions such as the previously planned restaurant. Finishing this area will allow Marina customers and visitors to use the area to more easily get to/from the parking lot to their vessels as well as to other areas of the Marina and for the public to use the area when visiting and transiting the Marina. Every effort will be made to minimize the cost of the improvements. The design will also strive to incorporate materials which could be reused in other parts of the Marina and/or any subsequent development wherever possible, and minimize the use of materials that would need to be removed or demolished to develop the site at some future point.

### **PROJECT DESCRIPTION AND JUSTIFICATION:**

- The pad site, approximately 25,000 square feet, southwest of the Marina Building was originally slated for development as a restaurant. However, this development was delayed and subsequently cancelled, and will not happen in the foreseeable future.
- The site area is currently an unfinished gravel area, with no lighting, and surrounded by construction fencing and is unsafe and not suitable for public use. As capital

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construction of the Renewal and Replacement projects at Shilshole are complete with the exception of a few remaining small site improvements, this area remains the last section of unfinished area at the site.

- In an effort to finish the area and improve accessibility to the docks & other areas of the facility for Marina customers and the public, and precluding the immediate development of the site, an interim solution needs to be designed, permitted, and constructed as described above. This work needs to be completed this year so that the area is finished before the next peak boating season.

### PROJECT SCOPE OF WORK AND SCHEDULE

- Project scope would include the design and construction of landscaping and flatwork within the pad site, and lighting in the surrounding area, to provide an open finished area for Marina customers and the public until such time the site can be developed as originally planned.
- The authorization amount also includes funds to pre-purchase any long lead items, such as light poles, in order to complete the work on the proposed schedule.
- The work will emphasize the economic use of materials which could be relocated or reused if the pad site is developed at some future date. The current palette of materials and plantings will be used, where possible, to integrate this area into the rest of the Marina. Low maintenance materials will also be used.
- Project schedule:
  - Design completed in June 2009
  - Planting completed in the fall of 2009, and
  - Construction completed by December 31, 2009 or earlier.

### STRATEGIC OBJECTIVES

While it is possible to leave the site area as described above in an unfinished state, it would not be safe or useable by the Marina customers, their visitors and the public. The completion of this work will provide the tenants, public and the community with a fully accessible site, that is safe and well lit and a finished area that increases the general appeal of the Marina and something that blends with the rest of the redeveloped site.

### BUSINESS PLAN OBJECTIVES

Proceeding with this project will complete construction and redevelopment of Shilshole Bay Marina, without precluding the future use of the approximately 25,000 square foot area and will minimize demolition costs of future development.

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### FINANCIAL ANALYSIS

#### Budget/Authorization Summary

|  |                    |
|--|--------------------|
| Original Budget (Shilshole Renewal and Replacement program)      | \$80,000,000       |
| Budget Used  | \$78,298,119       |
| Remaining Budget Authorization                                   | <u>\$1,701,881</u> |
|  |                    |
| Current project request – Reauthorization due to change in scope | \$300,000          |

#### Project Cost Breakdown

|                                   |           |
|-----------------------------------|-----------|
| Construction costs                | \$182,000 |
| Sales tax                         | \$18,000  |
| Outside professional services     | \$45,000  |
| Project & Construction Management | \$25,000  |
| Other (estimated pre-purchase)    | \$30,000  |
| Total (not to exceed)             | \$300,000 |

#### Source of Funds

The funds for this project were included in the 2009 Draft Plan of Finance under committed CIP C001716 SBM Infrastructure, Buildings, Site Improvements.

This project will be funded from existing 2007 Revenue Bonds proceeds.

#### Financial Analysis 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>            | An opportunity to develop the site into a restaurant comes up within the foreseeable future and some of the current requested project investment is not moveable or re-useable. |
| <b>Project cost for analysis</b>   | \$300,000   |
| <b>Business Unit (BU)</b>          | Portfolio Management – SBM Uplands  |

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|---------------------------------------|--|
| <b>Effect on business performance</b> | Assuming an expected useful life of 10 years prior to redevelopment of the area into a restaurant, this project will increase Depreciation Expense by \$30,000 per year for 2011 through 2019 and decrease Net Operating Income After Depreciation by the same amount.<br><br>If the site is redeveloped into a restaurant anytime prior to the 10-year horizon, the un-depreciated balance of the improvement would be written off as a non-operating loss. |
| <b>IRR/NPV</b>                        | Since this project neither creates incremental revenue nor preserves existing revenue, the net present value of this project is negative (\$300K).   |

**SUSTAINABILITY AND LIFE CYCLE COSTS**

- The proposed course of action preserves the option of future development of this pad, while minimizing the interim capital investment required to finish the site and provide a usable area for customers and the public.
- The design will look for opportunities to use environmentally low impact materials, minimize site runoff and use low water native planting materials. The design will also look at the use of low maintenance materials and possible methods for reuse of these materials as well as plantings in any future site development.

**ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS**

- Do nothing alternative. – The pad site is approximately 25,000 square feet and is currently a rough graded, unfinished gravel & dirt area surrounded by construction fencing. The site is not suitable for public use in its current condition due to unfinished flatwork, exposed rebar transitions, uneven loose gravel surfaces and inadequate lighting. It could be left in its current condition for the foreseeable future at little or no cost. This, however, would leave an unsafe area and preclude the use of the area by Marina customers, their visitors and the public in the Central Plaza area as it impedes access to/from some of the docks to the parking areas, the Marina Building & to other areas of the Marina. This alternative is not recommended.
- Permanent paving and development. – The site could be developed to a finished state using concrete paving and plantings similar to other flatwork areas at the Marina. This option carries a higher cost for more substantial development, and the risk of needing to demolish & remove the new work if an agreement is reached to develop the site as originally intended. This is not a cost-effective use of funds.
- Interim development. – This level of design and construction would strive to reopen a currently unusable area and install interim landscaping, complete flatwork and add lighting so that it is open, safe and usable by Marina customers, their visitors and the

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public, without either precluding future development options or requiring the demolition of significant assets to complete that development. The design would look for low-cost and “low-impact” methods such as landscaping, grass and movable planters to provide the most efficient interim development of the site. - **This is the recommended alternative.**

### PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- On August 26, 2003, Commission approved project-wide authorization for the Shilshole Bay Marina Renewal and Replacement Project in the amount of \$78,500,000.
- On February 8, 2005, Commission authorized \$1,500,000 to replace the north-end restroom building, bringing the total project authorization to \$80,000,000.
- On September 25, 2007, Commission authorized the execution of a fifty (50) year land lease with Mad Anthony’s Inc., for construction and operation of a new restaurant at Shilshole Bay Marina.