

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6a
Date of Meeting July 13, 2010

DATE: June 18, 2010
TO: Tay Yoshitani, Chief Executive Officer
FROM: Eric Hanson, Manager, Seaport Planning
Mark Griffin, Sr. Manager Real Estate Development
SUBJECT: Strategic Planning for Future Development of Terminal 91 – Funding Request

AMOUNT THIS REQUEST: \$275,000.00

SOURCE OF FUNDS: Seaport and Real Estate Division's Operating Expense

Total Project Cost: \$400,000.00

Est. Workers Employed: 4 FTEs

ACTION REQUESTED: Request project authorization of the T-91 Development study and environmental review process for an amount not to exceed \$400,000. If Port staff determines that the environmental review process will exceed \$200,000 we will come back to commission to get further authorization for the project and any related contracts that require Commission authorization.

SYNOPSIS:

The Seaport and Real Estate Divisions wish to commence a planning project to determine future development opportunities for Terminal 91. The two goals of this project are to determine how best to accommodate expansion of marine related businesses and how to accommodate and attract other, new compatible industries to the terminal, in support of the Port's Century Agenda. The facility accommodates numerous healthy and thriving businesses today. However, large sections of the terminal are underutilized. This planning endeavor desires to establish a sustainable vision for appropriate uses and developments that will clarify to a variety of interested stakeholders (both public and private) how the facility can generate industrial growth and regional economic benefits.

The Port intends to execute two competitive contracts: (1) Development Option Study for \$200,000 and (2) Environmental Review. The Environmental Review contract will not be executed until the Development option Study is near completion. Should the Environmental Review contract be estimated to have a value over \$200,000, the Port will seek Commission authorization for additional funds to move forward with the project and execute the contract.

PROJECT DESCRIPTION AND JUSTIFICATION:

Over the last several decades, Terminal 91 has been utilized for a variety of business operations, including U.S. Navy fleet support activities, break-bulk and wheeled (vehicle) cargo handling, fishery fleet offload, vessel maintenance, and passenger cruise operations. In the uplands area of the terminal,

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bulk oil storage, fish processing, net repair, and school bus storage and maintenance operations have been recent and ongoing activities. However, a large portion of the terminal is underutilized.

The project intends to analyze several options for developing the site. Staff believes the prudent course is to analyze and document a total site build-out plan in order to avoid single project site development plans occurring over time that will result in disjointed and/or conflicting site plans.

PROJECT SCOPE OF WORK AND SCHEDULE:

This project scope includes many components, including:

- A market assessment of the Terminal 91 site
- Alternative site plans and layouts
- Cost estimates for alternative site plans
- Traffic access and circulation plans
- Analysis of economic impacts
- Financial analysis
- Revenue forecasts
- Scheduling and phasing of developments
- Sustainability analysis.

A component of the work will involve public outreach. The public outreach work will include several meetings with stakeholders and open house sessions. Stakeholders include:

- Community groups
- The Neighborhood Advisory Committee
- Industrial associations
- Existing tenants
- Other government agencies, specifically the City of Seattle and King County.

The Port's proposed plan to guide long-term development of the Terminal 91 complex is subject to environmental review. Concurrent with the planning process, the Port will review and evaluate the potential environmental impacts of the proposed alternatives consistent with State Environmental Policy Act (SEPA) requirements.

The project work will result in a Development Options Study, documenting the study findings and a recommended strategy for site development.

This project is scheduled to take between 15 and 18 months.

STRATEGIC OBJECTIVES:

The objective of this planning project is to generate additional economic and employment opportunities from our core businesses as well as from new types of businesses that can thrive in an industrial setting. The project seeks to accomplish this objective by incorporating modern principles of sustainable development into the planning process. These objectives are aligned with the Shared and Real Estate and Land Use Guiding Principles outlined in the Port's Century Agenda; as amended and approved by the Commission on August 4, 2009.

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BUSINESS PLAN OBJECTIVES:

The Seaport 2010 Business Plan makes references for the need to accomplish work proposed in the Terminal 91 planning project, including a strategy for the Seaport to be positioned for economic recovery. Continuing the transition and development of Terminal 91 into a multi-use facility is a piece of this critical work. This project also supports the Seaport objective of increasing utilization of Port assets.

The Real Estate 2010 Business Plan also refers to this project as developing a Real Estate strategy to improve, maintain, and update Port facilities to meet new market demands. This project supports a key Real Estate Division objective to increase property utilization by advancing redevelopment of the site.

FINANCIAL ANALYSIS:

The project will include financial analysis of the potential development options. Each option will strive for development that is financially self-sustaining. The financial analysis will be multi-faceted, due to the need to upgrade and replace some of the existing infrastructure (pavement, utilities, etc.) on the site to support new development.

Cost Estimate

The estimated cost of this planning project is \$400,000 for outside consultant services, broken down into the following components:

Development Option Study	\$200,000
Environmental Review	200,000
Estimated Cost	\$400,000

The Development Option Study will require outside consulting services that will be contracted via a Category II, competitive procurement process.

If necessary, an Environmental Impact Statement will be completed; this will increase the overall cost of the project. The need for an EIS will be dependent on the outcome of the Development Option Study. If the total project cost is expected to exceed \$400,000, staff will return to Commission with a request to authorize additional funds to complete the project prior to executing a contract for the environmental review.

This is a tight budget for conducting a planning study of this scope. However, staff intends to utilize a significant amount of planning materials and data already generated from previous planning endeavors related to the site. Much of the material remains relevant and will directly result in cost saving for production of the Development Option Study and for the environmental review process.

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Budget/Authorization Summary

Previous Authorizations - 2010 Operating Budget		\$125,000
Seaport Division – 2010 Operating Budget	75,000	
Real Estate Division – 2010 Operating Budget	50,000	
Funding Requested in this Request		<u>275,000</u>
Total Estimated Project Cost		\$400,000

Source of Funds

Funding for this project will come from the Operating Expense Budgets of both the Seaport and Real Estate Divisions. A combined total of \$125,000 is included in the 2010 Operating Budgets of the two Divisions.

Actual spending in 2010 is expected to be approximately equal to the 2010 budgeted amount of \$125,000 and, accordingly will not create an unfavorable Operating Expense variance in 2010. The remaining \$275,000 of the authorization will be included in the 2011 Operating Expense Budget.

SUSTAINABILITY:

Staff will incorporate sustainable concepts into this planning project. The project will include site planning that is guided by updated codes and regulations, such as for LEED buildings and storm water control. Life cycle cost analyses will examine the trade-offs of higher up-front capital costs versus longer term operations and maintenance costs.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

A number of alternatives have been considered:

- Maintain the status quo.

This alternative would not stop new development at the site. However, both the Port's marine related customers and the City are looking to the Port to define a clear future for the facility. Further, the status quo will more likely lead to disjointed and potentially conflicting developments over the long term.

- Ground-lease the site to a third party allowing them to plan and develop the site.

This alternative would provide the Port opportunity to avoid development requirements, such as environmental review and project permitting. However, this alternative leaves the Port less in control of the facility's future use. Further, such an alternative would still require a significant amount of Port planning work to define the parameters of the lease. Current market conditions weigh against selecting this alternative.

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- Sell the property to allow its development by new owners.

This alternative would provide the Port opportunity to avoid development requirements, such as environmental review and project permitting. However, this alternative leaves the Port less in control of the facility's future use. In addition, current market conditions weigh against selecting this alternative.

- **Complete A Terminal 91-Wide Site Planning Project.**

This alternative provides a means to more broadly and collaboratively define a clear future for the facility by involving essential stakeholders, such as the City, community, and industry groups. With Port leadership, a clear blueprint will be created for planning Terminal 91 for the types of uses desired and where they can best be accommodated. In doing so, this project will reduce the amount of uncertainty and concerns held by all stakeholders interested in the site. This process allows a public agency to define public interest in an open and transparent process. This is the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

April 13, 2010 – The commission was briefed by Port staff on “Strategic Planning for Future Development of Terminal 91.”