

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7a
Date of Meeting April 3, 2012

DATE: March 26, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Eric Hanson, Manager, Seaport Planning
Mark C. Griffin, Director, Real Estate Development

SUBJECT: Terminal 91 Strategic Planning Briefing

SYNOPSIS:

In 2010, staff began preparing a “Development Options Study” to guide investment in and development of Terminal 91. Staff’s work focused on the following objectives:

- Accommodate expansion of “core mission” customers at the site.
- Define the area available for new industrial and commercial tenants that are permissible under the site’s existing industrial zoning.
- Ensure any new development is as financially self-sustaining as possible.

In August 2011, staff briefed the Commission on four conceptual development options and the key findings from the planning work. This follow-up briefing summarizes staff’s recommendations for Terminal 91 now that this strategic planning process has concluded.

CONCLUSIONS & RECOMMENDATIONS:

1. Seaport Operations. Terminal 91 is a multi-use industrial facility that supports robust maritime industrial uses that generate significant economic benefits for the region.

Recommendation: Pursue feasibility of expanding the existing maritime industrial base and re-evaluate cruise parking efficiencies.

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Action Steps:

- (i) Evaluate the optimal requirements for a new warehouse that supports fishing industry needs and generates positive return on investment. Perform a detailed feasibility analysis to determine whether an acceptable business model can be achieved without utilization of the tax levy. Should the feasibility study show a positive return, Seaport will come back to Commission with an appropriate project request.

Strong demand for more warehouse space is regularly expressed by existing tenants and potential new tenants. Sizeable warehousing space at Terminal 91 has been 100% occupied since 2008. New requests for warehouse space have been frequent, but there is no existing capacity to meet these requests. The lack of warehouse space at Terminal 91 has contributed to the loss of one fishing vessel customer whose owner's decided to homeport the vessel elsewhere. Fishermen's Terminal and the Marine Industrial Center also have had no unoccupied storage space for many years. Warehouse space in the entire Ballard area is scarce while demand appears strong. If feasible, accommodating the immediate need for more warehousing promotes the Century Agenda goal of "Doubling the economic value of our fishing industry."

- (i) Re-evaluate cruise parking in general. Perform detailed analysis to determine the optimal use of land currently devoted to cruise parking and to enhance efficiencies of current parking operations.

The existing surface parking lot consumes about 10.5 upland acres and its distant location from the cruise terminal adds operational expense. The Port must provide adequate area for cruise parking per our lease agreement with the cruise terminal operator and agreement with cruise lines. Parking garage feasibility work will likely require a few years as trends in cruise parking volumes are highly germane to the business case analysis. In addition, it is exceptionally difficult to forecast uses, and revenues associated with a new garage and new leasing strategies would have to be explored to enhance a garage's financial feasibility. The study of an alternative site location option to build a parking garage directly adjacent to the Smith Cove Cruise Terminal will be included in this work. Creation of a parking garage could free up at least eight acres of additional land that could then be used to attract more industries to the site and could potentially simplify parking operations depending on its location within the terminal. There also may be future business strategies unrelated to an on-site parking garage that could be pursued to meet parking needs associated with cruise terminal operations.

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- 2. New Industrial Development on the Uplands.** Major new capital investments by the Port in utilities and roadways in the uplands area are not financially feasible currently.

Recommendation: Preserve flexibility but pursue resources and methods that will improve the feasibility of new development while maintaining the existing revenue base.

Action Steps:

- (i) Advance discussions with the City of Seattle about ways to enhance the feasibility of new industrial development.

Consider participation in the Pioneer Industrial Development Pilot Project program sponsored by the City. This program seeks to offer regulatory and policy flexibility and financial support for up to ten demonstration projects. The City expects to issue a call for proposals in spring 2012.

- (ii) Continue short-term storage uses on the uplands acreage. Continuing this type of use of open areas requires minimal investment and generates revenue.

- (iii) Perform maintenance and repair as needed to support the continued short-term storage uses.

Over the long term, maintenance and repair needs are expected to increase for paving, water lines, electrical systems, and stormwater management. This strategy proposes to maintain infrastructure to meet existing uses rather than pursuing significant new capital investment in utilities and roads needed to attract additional development.

- (iv) Explore developer interest in the northern portion of the site through a request for qualifications / proposal process.

Approximately 22 acres of uplands acreage is suitable for attracting new industrial development without conflicting with any existing operations (see Attachment 1). This approach would test the real estate development community's interest in ground leasing this area as is—without any significant Port investment—to determine if third-party developers can feasibly construct the infrastructure needed to support new industrial development. This approach conserves Port capital dollars. If viable, a number of issues would have to be addressed including northern ingress and egress to the terminal.

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- (v) If the third-party developer approach is not viable, staff may consider marketing the uplands area for longer-term (i.e. 5+ years) storage uses. This approach, however, may compromise future flexibility.

- 3. West Yard Parcel – King County Combined Sewer Overflow (CSO).** King County intends to locate a new CSO facility on the 5.8-acre West Yard parcel which is currently utilized to provide public shoreline access and open yard storage to an existing fishing industry tenant. The facility will include a 1.8 million-gallon underground tank, an above-ground operations building and other ancillary features. The CSO facility substantially limits any future development capacity of the parcel.

Recommendation: Sell the West Yard parcel in its entirety to King County rather than accepting a permanent easement for the CSO facility.

Action Steps:

- (i) Cooperate in a voluntary acquisition of the West Yard parcel in lieu of condemnation by King County.
- (ii) Brief and obtain Commission authorization to sell the site once an offer from the County has been received and negotiated.

- 4. Long-Term Vision.** Attachment 2 displays a long term vision concept for Terminal 91 that maximizes the site's potential to support existing industry and promote more industrial growth for the region. This vision requires resolving the financial feasibility of upgrading utilities and roadways, building a parking garage and replacing the aged timber dock structures at berth 6/8. From a financial perspective that focuses strictly on positive returns, these projects, if built solely by the Port, are likely unfeasible. Justification for these projects will need to include associated benefits to the region's economic vitality and the Port's job creation mission.

Recommendation: Continue to identify collaborative and creative means to overcome the financial challenges with various public and private entity stakeholders.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- Attachment 1: Area available for other industrial uses
- Attachment 2: Long term vision demonstrating maximum development potential
- Attachment 3: Existing conditions aerial photo
- Attachment 4: PowerPoint Presentation

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- August 2, 2011 - Terminal 91 Strategic Planning Briefing presented to Commission.
- July 13, 2010 - the Commission authorized execution of consultant agreements and service directives to accomplish work proposed for the T-91 planning project and to develop a Real Estate strategy to improve, maintain and update Port facilities to meet new market demands at T-91.
- April 13, 2010 – Strategic Planning for Future Development of T-91 Briefing presented to Commission.