



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8g

ACTION ITEM

Date of Meeting March 23, 2021

DATE: February 22, 2021

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director Economic Development
Kyra Lise, Director Real Estate Development
Elena Franks, Capital Project Manager

SUBJECT: T91 Uplands Design Authorization (CIP #C800158)

Amount of this request: \$ 0

Total estimated project cost: \$ 49,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to advertise and execute a service agreement for professional design services for all project elements and improvements necessary to support the Port's development of the Terminal 91 (T91) Uplands area located north of the Magnolia Bridge. No request for funding is associated with this authorization.

EXECUTIVE SUMMARY

The Port's Economic Development Division plans to construct light industrial building space (storage, warehouse, manufacturing) within the northeast portion of T91 to support maritime manufacturers and fishing industry suppliers in the Ballard Interbay Manufacturing Industrial Center (BINMIC). Major project components of the T91 Uplands development include the following: Phase I, Phase II, and Offsite.

Phase I premises: approximately 6 acres in size, located at the northeast portion of T91, will consist of developing approximately 100,000 SF of industrial building space with minimal facility infrastructure improvements by the Port.

Phase II premises: In the future years, up to approximately 9 acres in the Phase II area will involve the construction of up to 300,000 SF of additional industrial building space along with more extensive T91 utility infrastructure improvements.

Off-site: Includes City of Seattle right-of-way and properties not owned by the Port, with respect to any street improvements to be developed in coordination with the requirements of the City of Seattle and other jurisdictions.

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Phase I and Phase II premises will be covered under the same major phased development planning effort and associated land use permit.

The T91 Uplands Development Project received design funding approval on February 26, 2019. Since then it started design development, recently achieving 10 percent design. On January 26, 2021, the Port terminated for convenience the service agreement P-00319789 for design services originally executed on January 1, 2020, and is thus seeking to procure new professional design services for all project elements necessary to support the Port’s development of the T91 Uplands Development from current project phase onwards.

JUSTIFICATION

The T91 Uplands Development addresses the shortage of light industrial property in consideration of the current market demand and in alignment with Seattle’s Industrial Maritime Strategy and Century Agenda Goals. It aims to preserve and enhance industrial land that contributes to local economic impact of maritime-focused operations, and diversify uses and assets, while balancing environmental, financial, and community stewardship goals of the Port of Seattle.

The development project also supports the following Economic Development Division and Maritime Division goals, through a set of guiding principles developed in conjunction with a Port-conducted stakeholder outreach program, and Port project team effort:

(1) Create New Economic Impact on Port Land

Continue to strengthen and grow the economic value of the maritime cluster, including the number of local jobs and business revenues.

- a. Anchor the maritime industrial workforce in Seattle by fulfilling tenant mix goals
- b. Meet square feet developed, jobs and associated wage rate goals.
- c. Meet target occupancy rate, and asset utilization.
- d. Create flexible spaces to accommodate multiple lines of business and a range of users/tenants.
- e. Meet revenue goals for long term investment.
- f. Add value to the overall equity component of the land; increase appreciation of Port land.

(2) Actualize a Port Definition of Flexible & Sustainable Industrial Development

Align Seattle’s Industrial and Maritime Strategy with key climate and environmental protection goals, securing integration with social and economic dimensions of sustainability.

Financial Sustainability:

- a. Develop a creative, cost-effective solution within the given project budget. Achieve good value over the life cycle of the asset.

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- b. Find a balance between cost and environmental benefits that reconciles desired tenant profile with a sustainable design approach.
- c. Create new revenue and new jobs for industries that have traditionally been tied to Terminal 91.
- d. Ground design choices in economic sustainability and market influence data; identify and target preferred tenants' need and achieve a product that is affordable.

Innovative Environmentally Conscious Practices:

- e. Achieve energy savings and water consumption reduction. Consider efficiency vs. conservation approaches.
- f. Use construction materials and methods that minimize harm to the surrounding ecosystem and reduce carbon footprint.
- g. Design resilient facilities that are able to retain structure and functions while adjusting to environmental (e.g. climate adaption) and socio-economic changes.
- h. Prioritize re-use of existing Port assets in design.

Operational Improvement:

- i. Leverage opportunities to evaluate a cluster of assets, addressing holistically other activities and operations across the terminal with a campus mindset.
- j. Explore cost savings opportunities towards operational and maintenance efficiency.
- k. Develop process for data collection and develop data story and metrics for how the Port approaches large, phased projects.

Users Health, Safety, Welfare:

- l. Protect the health, safety, and welfare of occupants and users through solutions, methods and materials that ensure a healthy built environment and eliminate or reduce hazards in the workplace.
- m. Integrate health safety and welfare considerations in all phases of the buildings' life cycle: planning, design, construction, operations and maintenance, renovation, and final disposal.

(3) Champion Diversity and Equity

Promote equitable access to information and new jobs through and inclusive industrial economy and ladders of economic opportunity.

- a. Target WMBE tenants.
- b. Meet or exceed the Port's diversity in contracting goals in the procurement of Design and Construction services.
- c. Ensure broad inclusion during public outreach.

(4) Improve the Movement of People and Goods to and Within Industrial Zones

- a. Promote environmentally sustainable transportation modes.
- b. Increase safety for all travel modes.
- c. Leverage wider plans for changes to transportation and circulation systems in the vicinity to improve access to/from the site.

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(5) Foster Community Stewardship and Cultural Benefits

- a. Build new confidence in Port’s ability to pursue industrial development.
- b. Seek opportunities to leverage and develop partnerships in the industrial maritime sector.
- c. Demonstrate the Port’s continued commitment to engaging near-port communities in a transparent manner, with timely information and opportunities to provide input.
- d. Include and strive for functional integration of art (Port’s 1% Art Program) into the designed product.

Major Phased Development Plan

The Port will design and request permitting for a Major Phased Development Plan (MPD) through the Seattle Department of Construction and Inspection (SDCI). An MPD is a unique permitting vehicle under the Seattle Land Use code, which allows for one land use permit to cover multiple development projects on one large site phased over time. A major phased development authorizes construction up to 15 years after the permit is issued.

The MPD provides flexibility for the Port in planning, design, and construction. The Port will work in partnership with the City of Seattle and neighboring community members on completing a comprehensive environmental review for this project. Similar recent MPD developments include the Expedia campus in Interbay, the Bill and Melinda Gates Foundation headquarters, and proposed development at the University Village.

Diversity in Contracting

The Port is considering issuing a new project-specific contract for professional design services related to continue progress towards design and permitting and complete the scope of work described below.

In association with this effort, the project manager will work with the Diversity in Contracting Department to determine potential women and minority business participation opportunities and will set WMBE goals to align with the Port’s aspiration to and increase the percentage of dollars spent on WMBE contracts to 15 percent within 5 years of program implementation of the Diversity in Contracting Program. The applicability of a Project Labor Agreement will be determined as well, in coordination with Labor Relations.

Community Outreach, Communication, and Marketing

In addition to environmental review, a robust communications and outreach plan will keep stakeholders informed about the schedule, design scope and impacts of the proposed development. Outreach will provide opportunities for a wide range of stakeholders to offer input including residents in neighboring communities, current Terminal 91 tenants, business and maritime industry organizations, and the Port’s Terminal 91 Neighbors Advisory Committee (NAC). In addition, liaison work will continue with transportation planning teams

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from the City of Seattle, METRO Transit and Sound Transit to ensure awareness and coordination between projects.

The outreach effort will utilize a number of communication strategies and tools. The project team will establish an online open house and project email address to ensure continued dialogue throughout the project. Updates also will be provided via media outreach and open houses, along with project updates at industry, business and community meetings.

Additionally, the Port project team will provide a workplan for sales process audit and other Sales & Marketing efforts geared at fulfilling the lease strategy goals to attract the ideal tenant mix.

DETAILS

All professional design services for all project elements/improvements necessary to support the T91 Uplands Development are described below.

Scope of Work

The scope of the T91 Uplands Development project includes:

- (1) Design and MDP permitting of Phase I and Phase II premises
- (2) Design, permitting and Construction of Phase I premises

Phase I premises' improvements are anticipated to include, but not limited to, the following:

- (1) Removal and replacement of associated on-site utility systems
- (2) Installation of stormwater treatment system
- (3) Removal and replacement of on-site roadway and parking lot pavement
- (4) Construction of new building(s) totaling 100,000 SF
- (5) Upgrading of facility signage, lighting, and landscaping as required
- (6) Improvements to off-site public streets as, and if, required by the City of Seattle
- (7) Implementation of applicable environmental best management practices
- (8) Obtainment of LEED Core & Shell, Standard Level credential

Significant progress has been made on the Terminal 91 Uplands project since the last authorization. This work guides and supports future work on the project:

- (1) Developed Guiding Principles
- (2) Developed Owner's Project Requirements (OPR)
- (3) Developed draft Sustainable Design Approach
- (4) Started SEPA checklist preparation
- (5) Conducted preliminary meeting with SDCI on traffic analysis assumptions
- (6) Completed draft of Existing Traffic Conditions
- (7) Completed Geotech and Environmental subsurface investigation
- (8) Completed design 10% concepts/layouts
- (9) Risk Analysis planning

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Schedule

Activity

| | |
|---------------------------------------|----------------|
| Commission design authorization | 2019 Quarter 1 |
| Design start | 2020 Quarter 3 |
| Commission construction authorization | 2023 Quarter 1 |
| Construction start | 2023 Quarter 3 |
| In-use date | 2024 Quarter 4 |

Cost Breakdown

| | This Request | Total Project |
|--------------|--------------|---------------|
| Design | \$0 | \$9,000,000 |
| Construction | \$0 | \$40,000,000 |
| Total | \$0 | \$49,000,000 |

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing: pass on authorizing the execution of a contract for professional design services to complete the design and permitting on T91 Uplands

Cost Implications: Halt spending on approved Major Capital Project.

Pros:

- (1) Retain Port capital for other priority projects and financial initiatives

Cons:

Delay, and possible interruption of the project, leading to:

- (1) Missed opportunity to achieve Port objectives of supporting fishing and maritime clusters
- (2) Missed opportunity for improving long-term financial viability of T91
- (3) Missed opportunity to add major maritime business tenants at T91
- (4) Missed opportunity to add needed light industrial space in the Ballard Interbay area at T91
- (5) Missed opportunity to replace existing aged storm sewer system with effective stormwater management system, including water quality treatment, at T91 in full compliance with Port and City of Seattle standards
- (6) Missed opportunity to improve existing water, sanitary, lighting, electrical, communications, and traffic related infrastructure at T91

This is not the recommended alternative.

Alternative 2 – Pass on authorizing the execution of a contract for professional design services to complete the design and permitting on T91 Uplands in two phases. Develop T91 Uplands on a more limited building-by-building basis

Cost Implications: Reduced “economy of scale” cost benefit due to more segmented phasing

Pros:

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- (1) Creation of multiple building projects will provide additional opportunities for consulting firms to compete for work
- (2) Construction impact to existing T91 upland tenant business operations may be more limited at any given time
- (3) The property would support the creation of hundreds of new jobs in the maritime/manufacturing sector

Cons:

- (1) Loss of value of work planned and performed thus far
- (2) Requires major Port investment of funds
- (3) Requires an increase in costs due to increased number of consultant procurements and multiple construction mobilizations
- (4) Requires additional staff time and cost to manage multiple individual permit, design and construction efforts
- (5) Creates a longer-term, constant, and disruptive construction impact to existing upland tenant business operations due to multiple construction starts and extended overall duration
- (6) Requires consultant firms to spend more time and money responding to individual project-based contracts and procurements
- (7) Does not allow for a holistic, integrated design and environmental approach

This is not the recommended alternative.

Alternative 3 – Authorize the execution of a contract for professional design services to complete the design and permitting on T91 Uplands in two phases

Cost Implications: None at this time; the total project cost estimate is not expected to change based on this request. The alternative will overall result in greatest cost efficiency due to combination of reduced Phase I infrastructure investment and “economy of scale” of multiple buildings being constructed

Pros:

Allow progress of project towards completion, achieving the following:

- (1) Meets Port objectives of supporting fishing and maritime clusters
- (2) Improves long-term financial viability of T91
- (3) Adds major maritime business tenants at T91
- (4) Adds needed light industrial space in the Ballard Interbay area at T91
- (5) Provides a flexible city-approved development plan for phased construction over 15 years to meet market demand
- (6) Provides long-term cost savings due to economy of scale derived from larger (more consolidated) permit, design and construction efforts
- (7) Replaces existing aging storm sewer system with effective stormwater management system, including water quality treatment, at T91 in full compliance with Port and City of Seattle standards

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- (8) Improves existing water, sanitary, lighting, electrical, communications, and traffic related infrastructure at T91
- (9) The property would support the creation of hundreds of new jobs in the maritime/manufacturing sector

Cons:

- (1) Requires major Port investment of funds over shorter term
- (2) Requires reduction of existing area available for on-site open storage
- (3) Creates temporary construction impacts to existing T91 upland tenant business operations

This is the recommended alternative.

FINANCIAL IMPLICATIONS

| <i>Cost Estimate/Authorization Summary</i> | Capital | Expense | Total |
|---|----------------|----------------|--------------|
| COST ESTIMATE | | | |
| Original estimate | \$39,000,000 | \$0 | \$39,000,000 |
| Current Change | \$10,000,000 | \$0 | \$10,000,000 |
| Revised estimate | \$49,000,000 | \$0 | \$49,000,000 |
| AUTHORIZATION | | | |
| Previous authorizations | \$4,300,000 | \$0 | \$4,300,000 |
| Current request for authorization | \$0 | \$0 | \$0 |
| Total authorizations, including this request | \$4,300,000 | \$0 | \$4,300,000 |
| Remaining amount to be authorized | \$44,700,000 | \$0 | \$44,700,000 |

Annual Budget Status and Source of Funds

This project was included in the 2021 Plan of Finance under C800158 T91 Uplands Development with a total project cost of \$48,500,000.

This project will be funded by the Tax Levy.

Financial Analysis and Summary

| | |
|---|---|
| Project cost for analysis | \$49,000,000 |
| Business Unit (BU) | EDD Portfolio Management |
| Effect on business performance (NOI after depreciation) | The new buildings, when complete, will provide incremental leasing revenue. Estimated stabilized net operating income for the project is to be determined upon project scope determination. |
| IRR/NPV (if relevant) | To be determined upon project scope determination. |
| CPE Impact | N/A |

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Future Revenues and Expenses (Total cost of ownership)

The project improves the long-term financial stability of the Port by creating infrastructure to support new jobs, generate new revenues, and advance maritime innovation.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

February 26, 2019 – The Commission authorized the execution of contracts for overall master planning, environmental review, permitting, and Phase I Design services in an amount not-to-exceed \$4,000,000, in support of the Port’s development of the T91 Uplands Development project.

November 27, 2018 – The Commission approved 2019 Capital Budget and Plan of Finance including T91 Uplands Development project.

October 25, 2016 – The Commission received a briefing about the Real Estate Strategic Plan including the T91 Uplands Development project.