



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8f

ACTION ITEM

Date of Meeting May 11, 2021

DATE : April 16, 2021

TO: Stephen P. Metruck, Executive Director

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

SUBJECT: FT Maritime Innovation Center and Service Agreement for FT Phased Design Services

Amount of this request: \$1,000,000

Total estimated program cost: Maritime Innovation Center: \$19,800,000
General Site Improvements: \$3,300,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) authorize an additional \$1,000,000 in design funding for the proposed Fishermen’s Terminal Maritime Innovation Center (C801084, U00414) to complete design and permitting; and (2) to execute an amendment to the existing service agreement with Miller Hull Partnership, LLP for Fishermen’s Terminal Phased Design Services in the amount of \$2,500,000; for a new Not-To-Exceed (NTE) value of \$6,000,000. No request for funding is associated with this authorization.

EXECUTIVE SUMMARY

Design Funding for Maritime Innovation Center

The design and permitting on the Fishermen’s Terminal (FT) Maritime Innovation Center (MInC) includes completing the renovation and historic restoration of the Port’s former Seattle Ship Supply Building to house the approximately 15,000 square-foot home port business incubator to support the work of the Maritime Blue Accelerator program in formal partnership with the State of Washington’s Department of Commerce, grantor of \$5 million towards its construction. The total project cost for the Maritime Innovation Center is currently estimated at \$19,800,000.

The approval of the requested funding for the proposed FT MInC will enable the Port to complete the design required for submission to permitting departments and agencies to make the project ready for bid and construction.

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Amendment to The Service Agreement

In accordance with prior Commission authorizations, Miller Hull Partnership LLC, the design consultant for the Fishermen’s Terminal Development program, has completed a 60% level design for the projects under the Service Agreement for Fishermen’s Terminal Phased Design Services. The current contract’s NTE is \$3,500,000 and does not account for the Site Improvements project, as defined upon 60% design completion (2021_03_23_RM_10b), nor for the Maritime Innovation Center with the Living Building Challenge requirements and associated “best” performance targets, which were established during 60% Design Development (2020_12_08_RM_10a).

The Service Agreement was conceived as a Phased Design Services contract. Therefore, its original and former NTE amounts were estimates for the Phase of work that was being presented at the time, and it did not capture all phases of design through support during construction. To this point, the initial estimated design cost for the redevelopment was \$7 million (2016_12_13_RM_3c) and was meant to cover design of Gateway Building (the original warehouse concept) and the West Wall Building.

The addition to the contract value at this time is needed to complete the remaining phases of design on the MInC and Site Improvements projects. As a result, the contract must be amended for additional capacity in the amount of \$2,500,000, which will increase Miller Hull’s FT Phased Design Services contract to \$6,000,000. This will allow Miller Hull to provide design services for FT Redevelopment projects, which include the MInC and Site Improvements.

JUSTIFICATION

Design Funding for Maritime Innovation Center

Additional funding is needed to address the project cost change due to recent scope additions, which include a set of mitigation strategies identified during the Risk Analysis performed at 60% Design that are aimed at reducing risks specific to the age of the existing structure as well as to the Living Building Challenge (LBC) requirements. Such strategies have the potential to reduce the incidence of change orders during construction, therefore accelerating completion.

The cost estimate has also been updated for escalation increases triggered by wage inflation and expected skilled labor shortages projected for 2022. Lastly, the requested funding includes the cost of design support services during bid.

Amendment to The Service Agreement

The ability to continue work on the Maritime Innovation Center and the Site Improvements is dependent on the contract’s amendment of the NTE value. Therefore, design progress is on hold for both projects until the amendment is authorized and executed.

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Diversity in Contracting

The project team is working with the Port's Diversity in Contracting Department to set Women/Minority Business Enterprise (WMBE) aspirational goals for both the MInC and the Site Improvements projects.

In pursuing the LBC credential, the Maritime Innovation Center project will satisfy performance areas that include Equity and Inclusion, with diversity in contracting being one of the metrics. The Equity-based LBC compliance items are thus also expected to help us achieve the Port's commitment to increasing the utilization of WMBE businesses in its contracting processes.

DETAILS

With respect to the overall progress of the FT Redevelopment Program, since last coming before the Commission in March, the Port has made the following progress:

- The Maritime Innovation Center cleared the second cycle of the Shoreline Substantial Development Permit (SSDP) review without corrections.
- Requested to earmark \$3M in federal funding for Fiscal Year 2022 (10/1/21-9/30/22 period) for the Maritime Innovation Center.
- Exploring Economic Development Administration (EDA) funding opportunities for the Maritime Innovation Center and planning to submit an application package in June.
- Completed 60% Design risk analysis and modeling for the Maritime Innovation Center and Site Improvements.
- Presented FT Redevelopment Program updates to the North Seattle Industrial Association and the Neighbors Advisory Committee.
- Hosted a FT Redevelopment Program Virtual Open House (100+ registered attendees).

Design Funding for Maritime Innovation Center

Elements that have contributed to the Maritime Innovation Center's project cost include, but are not limited to:

- (1) Escalation adjustment triggered by wage inflation and expected skilled labor shortages projected for 2022.
- (2) Inclusion of design support through the bid process effort, with an enhanced submittal and pre-construction process, as part of the contracting mitigation strategies planned to reduce the risk carried by LBC requirements.
- (3) Loss of design-related workflow and deliverable production efficiencies formerly realized by combining the MInC and Site Improvements with the larger, more conventional ground-up construction of the Gateway and Public Street Improvements projects. These efficiencies are no longer able to be realized with the smaller, more complex revitalization of the MInC to Living Building Challenge Standards as a standalone project.
- (4) Need for a conceptual management plan for construction staging, phasing, and laydown to integrate salvaged materials and/or specifying new materials and sources, depending on available quantities, now changed due to partially relying on the buildings that were to be demolished as part of the Gateway development, now paused.

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- (5) Need for coordination and integration of bore field test findings to finalize the Ground Source Heat Pump (GSHP) mechanical system.
- (6) Need to perform environmental investigations and testing to verify soil contamination levels.
- (7) Need to perform a 3-D laser scan (LiDAR) to effectively survey the dimensions of existing structural elements to remain, and consequent adjustments to structural and architectural design based on scan findings.
- (8) Need to reconfigure and develop electrical specifications; integrate new fiber optic backbone cabling and security standards.

The Site Improvements project does not need additional funding to complete design and permitting at this time.

Staff will return to the Commission once the projects are fully designed to request authorization for advertisement for construction bids, as well as construction funding for the proposed MInC (U00414) and the Site Improvements (U00320) projects.

Amendment to The Service Agreement

The professional design and permitting services provided by the service agreement with Miller Hull Partnership LLP for Fishermen’s Terminal Phased Design Services presently serve the following work:

- (1) Permitting and construction of the Maritime Innovation Center (C801084, U00414).
- (2) Permitting and construction of the general site improvements (C801211, U00320).
- (3) Shelve the Gateway Building project (C800525, U00412).
- (4) Shelve the Public Street Improvements project (U00418) associated with the Gateway.

All four projects have reached a 60% design threshold by consulting architect Miller Hull. Commission approval of this action will allow design to continue on the MInC and Site Improvements projects and will require presentation before the Commission for construction authorization as early as the 2nd quarter of 2022.

The service agreement has bid support as part of construction support. The amendment will also change this, by shifting the bid support scope to the design phase, thus allowing to seamlessly extend Miller Hull’s services through a critical phase for risk mitigation strategy and LBC requirements.

Schedule

The schedule below pertains to the MInC and site improvement projects, which are progressing towards completion of design and permitting phase.

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Activity

Commission design authorization (initial FT Redevelopment)	2016 Quarter 4
Design start	2019 Quarter 2
Commission construction authorization	2022 Quarter 2
Construction start	2023 Quarter 1
In-use date	2024 Quarter 2

Cost Breakdown

	This Request	Total Project
Design		
MInC Building	\$1,000,000	\$3,150,000
Site Improvements	\$0	\$1,525,505
Construction		
MInC Building	\$0	\$16,650,000
Site Improvements	\$0	\$1,774,495
Total		
MInC Building	\$0	\$19,800,000
[does not account for \$5M State grant]		
Site Improvements	\$0	\$3,300,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing – Do not approve the two actions that allow to complete proposed MInC and Site Improvements projects.

Pros:

- (1) Retains Port capital for other priority projects and financial initiatives.
- (2) Avoids temporary construction impacts to existing fishing and upland tenant business operations.

Cons:

- (1) Missed opportunity to implement FT Long-Term Strategic Plan objectives of supporting fishing and maritime clusters as the sector begins to recover from the recession caused by the COVID-19 pandemic.
- (2) Loss of \$5 million grant funds from Washington State Department of Commerce towards the construction of the MInC.
- (3) Missed opportunity for partnering with Washington Maritime Blue in creating FT based hub for regional innovation initiative and achieve Port objectives of advancing maritime industry through innovation and modernization.
- (4) Missed opportunity to enhance public awareness and enjoyment of Fishermen’s Terminal.

This is not the recommended alternative.

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Alternative 2 – Do not approve the two requested actions and postpone MInC and site improvement projects until economic conditions are more predictable.

Pros:

- (1) Retains Port capital for other priority projects and financial initiatives.
- (2) Enables factoring of more exact economic condition information into project approval decision.
- (3) Delays temporary construction impacts to existing fishing and upland tenant business operations.

Cons:

- (1) Likely higher cost of completing construction bid documents due to delay and restarting remaining design and permitting process at future point.
- (2) Potential missed opportunity to capitalize on market and implement FT Long-Term Strategic Plan objectives of supporting fishing and maritime clusters as the sector begins to recover from the recession caused by the COVID-19 pandemic.
- (3) Loss of \$5 million grant funds from Washington State Department of Commerce towards the construction of the MInC.
- (4) Potential missed opportunity for partnering with Washington Maritime Blue in creating FT based hub for regional innovation initiative and achieve Port objectives of advancing maritime industry through innovation and modernization.
- (5) Potential missed opportunity to capitalize on market and to enhance public awareness and enjoyment of Fishermen’s Terminal.

This is not the recommended alternative.

Alternative 3 – Approve design funding to complete proposed MInC; approve the Service Agreement amendment to complete MInC and Site Improvements.

Pros:

- (1) Implementation of FT Long-Term Strategic Plan objectives of supporting fishing and maritime clusters as well as improving long-term financial viability of FT.
- (2) Creation of FT based hub, in financial partnership with the State of Washington, for regional innovation initiative and achieve Port objectives of advancing maritime industry through innovation and modernization.
- (3) Addition of major maritime business tenant(s) and needed light industrial space within the Ballard Interbay area.
- (4) Redevelopment of existing vacant and dilapidated facility areas and make an architectural statement at site entrance.
- (5) Enhancement of public awareness and enjoyment of Fishermen’s Terminal.
- (6) Support the creation of many new jobs in the maritime/manufacturing sector.

Cons:

- (1) Requires major Port investment of funds.
- (2) Creates temporary construction impacts to existing fishing and tenant business operations.

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- (3) Moving this project forward at this time during unprecedented market uncertainty is an inherit risk we must manage by evaluating market information on an ongoing basis.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Previous Estimate			
MInC Building	\$18,000,000	\$0	\$18,000,000
Site Improvements	\$3,300,000	\$0	\$3,300,000
Current Change			
MInC Building	\$1,800,000	\$0	\$1,800,000
Site Improvements	\$0	\$0	\$0
Revised estimate			
MInC Building	\$19,800,000	\$0	\$19,800,000
FT Site Improvements	\$3,300,000	\$0	\$3,300,000
AUTHORIZATION			
Previous authorizations			
MInC Building	\$2,150,000	\$0	\$2,150,000
Site Improvements	\$1,525,505	\$0	\$1,525,505
Current request for authorization			
MInC Building	\$1,000,000	\$0	\$1,000,000
Site Improvements	\$0	\$0	\$0
Total authorizations, including this request	\$4,675,505	\$0	\$4,675,505
Remaining amount to be authorized			
MInC Building	\$16,650,000	\$0	\$16,650,000
FT Site Improvements	\$1,774,495	\$0	\$1,774,495

Annual Budget Status and Source of Funds

The MInC project was included in the 2021 Plan of Finance under C801084 FT Maritime Innovation Center with a total project cost of approximately \$16,000,000. Additional funding will be covered by the deferred spending on C800525 FT Gateway Building and C800002 Maritime Reserve.

The Site Improvements project was not included in the 2021 Plan of Finance. Per the authorization received on 3/23/2021, it will be included in the draft 2022 Capital Plan under the new CIP C801211 with a total project cost of approximately \$3,300,000. Funding for this project will come from deferred spending on C800525 FT Gateway Building.

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Both projects will be funded by the Tax Levy. The Maritime Innovation Center has received a \$5 million contribution towards construction from the State of Washington’s Department of Commerce.

Financial Analysis and Summary

Project cost for analysis MInC Building FT Site Improvements	\$19,800,000 \$3,300,000
Business Unit (BU)	Maritime Portfolio Management
Effect on business performance (NOI after depreciation)	Forecasted NOI from the Maritime Innovation Center provided to Commission upon design completion and construction authorization. Both MInC and FT Site Improvements are expected to increase depreciation expense by over \$500K per year.
IRR/NPV (if relevant)	
CPE Impact	

ADDITIONAL BACKGROUND

Sustainable Evaluation Framework

The FT Redevelopment program was identified as a priority pilot project for the Sustainable Evaluation Framework. Miller Hull Partnership was hired to serve as designer and sustainability facilitator. Three meetings were held in August and September between consultants and the Port of Seattle project staff to create a project vision and identify opportunities. An eco-charette was held on October 10, 2019 with various representatives from across the Port to identify preferred project goals, targets, and priorities. The identified goals and strategies through the charette were innovation, resilience, jobs/workforce, legacy/future, water, energy, carbon, and health/materials.

Project goals and strategies were incorporated into design alternatives and evaluated further. The sustainable design goals, alternatives, and recommendations were presented to project Sponsors and to the Energy and Sustainability Committee on June 16th. Based on the recommended design strategies, the MInC is targeting the Living Building Challenge Living Certification.

The project team is moving forward with refining design and costs. Further design decisions will be incorporated into a final “Sustainable Design Strategy” for both projects and will be provided to Commission during construction authorization.

ATTACHMENTS TO THIS REQUEST

None

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 23, 2021 – Commission authorized Design and Permitting completion of the FT Site Improvements (U00320) Under the New CIP C801211, utilizing \$1,525,505 in formerly authorized funding for the Gateway Building.

December 8, 2020 – Commission authorized Construction of the MInC as the condition for executing the Interagency Agreement with Washington State Department of Commerce to allow the acceptance of a \$5M grant towards its construction.

May 14, 2019 – Commission authorized \$1,850,000 design funding and an amendment to the Fishermen’s Terminal Phased Design Services contract, with Miller Hull Partnership LLP, for \$1,000,000 for final planning, design, and permitting for the Maritime Innovation Center.

January 22, 2019 – The Commission authorized an additional \$1,800,000 in design funding for FT Gateway Building improvements, and the execution of an amendment to the existing Architectural/Engineering Services contract for FT Redevelopment for \$1,000,000 to complete the final planning, design and permitting of the Gateway Building and FT Site Improvements.

January 8, 2019 – Commission received a briefing regarding Maritime Blue Plan and the Maritime Innovation Center.

September 26, 2017 – The Commission authorized \$1,325,000 construction funding for the demolition of the existing bank building and Net Sheds 7 and 8. This work has not yet been advertised for bids, per direction by the Commission, pending finalization of a Gateway Building tenant lease agreement.

December 13, 2016 – Commission authorized an initial \$3,000,000 for the Fishermen’s Terminal Redevelopment program planning and design; the total preliminarily estimated design cost was \$7,000,000.

May 17, 2016 - Commission received a briefing on the planning strategies comprising the Fishermen’s Terminal Long-Term Strategic Plan.

October 27, 2015 - Commission received a briefing about the progress of the stakeholder outreach program for the Fishermen’s Terminal Long-Term Strategic Plan.

August 11, 2015 - Commission received a briefing on the proposed scope and goals in advance of the launch of the planning process.