COMMISSION
AGENDA MEMORANDUM **Item No.** 8f

ACTION ITEM **Date of Meeting** March 8, 2022

DATE: February 21, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director Economic Development
Kyra Lise, Director Real Estate Development

SUBJECT: Fishermen's Terminal Development Program - Maritime Innovation Center (CIP #C801084)

Amount of this request:	$5,718,840
Total estimated project cost:	$19,800,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to invest at least $5,718,840 into the Maritime Innovation Center (MInC) to provide required matching funds for a United States Economic Development Administration grant in the amount of $5,000,000.

This authorization commits Port funding to the MInC project **if** EDA approves the Port of Seattle's grant request and executes a contract with the Port for the grant funding.

EXECUTIVE SUMMARY

As part of efforts to redevelop Fishermen's Terminal, staff is working to develop a Maritime Innovation Center that will help the region's maritime industry adopt advanced technologies and stimulate innovative entrepreneurship. Successful innovation centers can help sustain maritime industries and help modernize operations and key lines of business. This is a significant opportunity for the region:

- The global "Ocean Economy" is growing. It is valued on a conservative basis by the Organization for Economic Cooperation and Development (OECD) at $1.5 trillion (2010) and growing to $3.0 trillion by 2030
- The Seattle region is rich in maritime resources and heritage, but this is under recognized by the general public and policy makers being overshadowed by high-tech. The maritime industry is also not particularly innovative
- Public and private partners are interested in the Maritime Innovation Center as focal point to help advance: 1) electrification; 2) ship and vessel design innovation; 3) marine renewables; and 4) seafood product development

- Promoting knowledge transfer, business incubation, and workforce development are the biggest needs in terms of addressing maritime innovation challenges (and opportunities).

Staff recently applied for a $5 million grant from the US Economic Development Administration (EDA) to help fund development of the Maritime Innovation Center. To move this grant forward through EDA's review process, the Port needs to authorize that our funding for the MInC is available and dedicated to the project.

BACKGROUND

The approval of the requested authorization will support the completion of the renovation and historic restoration of the Port's former Seattle Ship Supply Building to house the approximately 15,000 SF Maritime Innovation Center. The MInC will help drive long term sustainability of the region's maritime industry. The project aligns with the Port of Seattle's Century Agenda goals to support and strengthen the region's economy, while maintaining the Port's triple bottom line – balancing environmental, financial, and societal goals.

With this project the Port is also committing to showcase a sustainable and productive maritime economy that protects the very fishing industry it serves, in alignment with the Port of Seattle's Century Agenda goals to support and strengthen the region's economy, while maintaining the Port's triple bottom line – balancing environmental, financial, and societal goals.

Prior to coming to the Commission for MInC design funding in May 2019, the Port:

- Completed a feasibility study in 2018 to garner community input on maritime innovation, identify potential facility services, operating options, space and physical planning considerations and facility revenue/expense assumptions.
- Created an advisory committee to guide development of maritime innovation center;
- Contracted with DNVGL to update MInC business plan including revised revenue/expense projections, preferred site/location analyses, and recommended operating benchmarks

At this point the Port has advanced the following MInC design work:

- Conducted an Eco-Charette to provide context for a comprehensive evaluation of preferred sustainability objectives for the various projects within the FT Redevelopment program.
- Completed 60% design and completed an updated project cost estimate based on these building designs and preferred sustainability options.
- Presented alternative designs and recommendations to the Energy and Sustainability Committee at 30% design.
- Determined a series of feasible environmental sustainability objectives that have been incorporated into the project's construction scope.

By taking this action, the Port Commission is committing to complete the construction of the Maritime Innovation Center, and potentially entering a financial partnership with the United States Economic Development Administration, without allocating new resources at this time.

Scope of Work

The Port of Seattle is developing an innovation center at Fishermen's Terminal that can support and drive entrepreneurship and innovation within the maritime sector. The Port is renovating its 100+ year old Seattle Ship Supply Building for the new home for this incubator, transforming it into a resilient, sustainable facility that can support both entrepreneurs and established companies for the next 100 years. Fishermen's Terminal is in one of the few remaining industrial areas within the city of Seattle at Ballard-Interbay, directly west of the Ballard Bridge and east of the Hiram M. Chittenden Locks along the Lake Washington Ship Canal. The North Pacific commercial fishing fleet operates out of the freshwater terminal.

Built in 1918, the Seattle Ship Supply Building (Maritime Innovation Center) is one of the oldest structures on the Fishermen's Terminal site. The original building's heavy timber structure is a classical basilica form with a central two-story nave and gable roof, flanked by two side shed structures. At over 45 FT at the top of the gable, Seattle Ship Supply is the tallest existing building on the Fishermen's Terminal site and is prominently visible from the Ballard Bridge. The existing building suffers from years of ad hoc modifications and needs substantial improvements to meet current building codes.

The Port recognizes the potential to honor the history of Fishermen's Terminal by restoring and enhancing the original structure and providing spaces that support the next generation inventions that drive the competitiveness of Washington State's Blue Economy. The building will provide approximately 15,000 SF of light industrial spaces, meeting rooms, classrooms and event space that will bring together leaders from education, industry, and government to address both challenges and opportunities within the maritime cluster. The facility will provide classes, technical assistance, and research and development that ultimately helps the industry innovate and sustain its competitive advantage. With the goal of being "the greenest and most energy-efficient port in North America" the Port of Seattle has set ambitious but achievable targets in energy efficiency, stormwater management and emissions reduction. To meet these goals while setting a new standard of environmentally sustainable development for ports around the world, Fishermen's Terminal is pursuing the world's most rigorous green building certification – The Living Building Challenge.

A holistic and performance-based rating system, the LBC requires projects create regenerative buildings that address site, water, energy, materials and even equity related challenges. Certification is only awarded once a building has proven its net positive energy and water performance after a year's worth of building operations.

Below are just some of sustainable features of The Fishermen's Terminal project.

To achieve net positive energy and reduce emissions:

- On-site photovoltaic energy production
- No combustion, all-electric building operation to support greenhouse gas reduction

- Battery backup system to add resiliency for facility operations
- Electric vehicle charging stations, bike parking and shower facilities

To demonstrate the commitment to restoring water quality and improving aquatic life on industrial property:

- On-site stormwater treatment and detention
- Rainwater catchment for irrigation, toilet flushing and potable water use
- On-site grey water and black water treatment

To improve the health and wellbeing of our community:

- Daylighting and natural ventilation to reduce energy demand and provide a healthier interior environment
- Reduced chemicals of concern
- Biophilic design that incorporates strategies to enhance the human/nature connection and reinforces the connection to place
- Community education and outreach
- Urban agriculture

To reduce emissions and build toward the circular economy

- Reclaimed and FSC-certified wood Regional materials
- Landfill waste diversion
- Equitable and diverse workforce

Community Outreach and Communications

Initial community outreach and engagement around the Maritime Innovation Center and the Gateway Building unfolded during the Port's Fishermen's Terminal Master Planning process in 2016 and 2017. Staff hosted multiple planning sessions, open houses and stakeholder meetings as part of developing new plans for FT. During the process, stakeholders cited a need for light industrial facilities with smaller spaces for maritime manufacturers and suppliers. Several participants also suggested that FT develop space for meeting rooms/conference center.

Extensive outreach and engagement also supported the Maritime Innovation Center planning project (2016-2021):

- Hosted an Open House on Fishermen's Terminal in May 2021 that focused on the MInC's development and other terminal improvements
- Hosted a Strength, Weakness, Opportunities and Threats (SWOT) workshop with 25 maritime stakeholders
- Developed on online survey that solicited input from 150+ stakeholders
- Hosted outreach meetings with partners in Anacortes and Port Hadlock
- Interviewed 35 Maritime stakeholders (28 distinct organizations)
- Facilitated a design eco-charrette focused on adaptive reuse of the Port's Ship Supply building

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 the project.

In pursuing the LBC credential, the 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.

Schedule

Activity	
Commission design authorization (initial FT Development design)	2016 Quarter 4
Design start	2019 Quarter 2
Land Use Permit	2021 Quarter 4
Building Permit	2022 Quarter 4
Commission construction authorization	2022 Quarter 4
Construction start	2023 Quarter 3
In-use date	2025 Quarter 1

Cost Breakdown	This Request	Total Project
Design/Permitting	$0	$3,150,000
Construction	$0	$16,650,000
Total	$0	$19,800,000

SUSTAINABLE EVALUATION FRAMEWORK

The FT Development project 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, process, 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 Maritime Innovation Project is targeting LBC 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 the Maritime Innovation Center will be provided to Commission before the construction funding authorization.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing: pass on Authorization for Construction and associated EDA grant

Cost Implications:
Loss of $5,000,000 federal funding towards completion of Maritime Innovation Center project.

Pros:

None.

Cons:

(1) Loses potential funding that could help leverage Port funding for the MInC.

This is NOT the recommended alternative.

Alternative 2 – Postpone Authorization for Construction to when Design and Permitting are close to completion (est. 2022 Quarter 4).

Cost Implications:
Loss of $5,000,000 federal funding towards completion of Maritime Innovation Center project.

Pros:

(1) Commission is not committing to fund the project in the future without final permits or final cost estimates.

Cons:

(2) Time-sensitivity expressed by EDA suggests that they will not approve grant request unless this authorization is provided in a timely manner.

This is NOT the recommended alternative.

Alternative 3 – Authorize funding needed to match EDA grant funds requested

Cost Implications:
Receiving contribution in the amount of $5,000,000 towards the total capital project costs reduces the Port's total project costs for completing the Maritime Innovation Center.

Pros:
Significant monetary contribution to the completion of the project and achievement of the following:

(1) Support the recovery of the maritime sector as we move out of the economic crisis brought on by COVID-19 global pandemic.
(2) Retain Port capital for other priority projects and financial initiatives.

(3) Implement FT Long-Term Strategic Plan objectives of supporting fishing and maritime clusters as well as improving long-term financial viability of FT.

Cons:

(1) Commission is committing to fund the project in the future, without final permits or final costs.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary	Capital	Expense	Total
COST ESTIMATE			
Previous estimate *(60% design level estimate)*	$19,800,000	$0	$19,800,000
Current change	$0	$0	$0
Revised estimate *(60% design level estimate)*	$19,800,000	$0	$19,800,000
AUTHORIZATION			
Previous authorizations	$3,150,000	$0	$3,150,000
Current request for authorization	$5,718,840	$0	$5,718,840
Total authorizations, including this request	$8,868,840	$0	$8,868,840
Remaining amount to be authorized	$10,931,160	$0	$10,931,160

Annual Budget Status and Source of Funds

The project has been included in the approved 2022-2026 CIP with a total project cost of $19,800,000 and assumes a $5,000,000 contribution from WA Department of Commerce.

The Port-funded portion of this project will be funded by the Tax Levy.

Predesign Financial Analysis and Summary

Project cost for analysis	$11,000,000 *(assumes $5 million WA State contribution)*
Business Unit (BU)	Maritime Portfolio Management
Effect on business performance (NOI after depreciation)	The property is expected to contribute approximately $180K to annual NOI before deprecation. The project will increase annual depreciation expense by approximately $220K per year.
IRR/NPV (if relevant)	NPV: ($7.7M) IRR: 1.7%
CPE Impact	N/A

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

May 11, 2021 – Commission authorized 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 the execution of 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.

March 23, 2021 - Commission received a briefing on the Fishermen's Terminal Redevelopment.

December 8, 2020 – Commission authorized acceptance of $5 million Capital grant from the State of Washington's Department of Commerce.

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

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.