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COMMISSION

AGENDA MEMORANDUM Item No. 8i

ACTION ITEM Date of Meeting November 8, 2022

DATE : October 6, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Kelly Purnell, Capital Project Manager IV, Waterfront Project Management

Kyra Lise, Director Real Estate Development

Melinda Miller, Director Real Estate Asset Management

SUBJECT: Request for additional design funding for Fishermen's Terminal Maritime Innovation Center (CIP# 801084)

Amount of this request: \$500,000

Total estimated project cost: \$26,400,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to acquire additional funding for design of the Maritime Innovation Center project in the amount of \$500,000.

EXECUTIVE SUMMARY

As part of the ongoing redevelopment efforts at Fishermen's Terminal, the historic Seattle Ship Supply Building will be transformed into a cutting-edge, Living Building Challenge (LBC) certified Maritime Innovation Center (MInC). The building will be the home port of a business incubator and accelerator for emerging technologies, businesses, and services in the maritime Blue Economy.

At the 90% - 100% design level of the MInC, a significant structural design error was discovered during first round of City of Seattle permit reviews. After researching the impacts of the error with Port and consultant subject matter experts, it has been determined that a partial redesign of the foundation and building structure will be required to meet required City of Seattle structural code. Additionally, a 6-month delay in the project schedule is anticipated, pushing Commission construction authorization from Q1 2023 to Q3 of 2023.

A level of effort (LOE) estimate has been developed to perform the redesign work in the amount of \$500,000. The current design budget for the MInC is \$3,150,000, 99% of which has been committed/expended at this time. Therefore, authorization of additional design fees is requested

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in the amount of \$500,000 to complete the redesign of the foundation and building superstructure, complete a construction vibration impact analysis of the adjacent FT buildings, provide risk mitigation through a third-party geotechnical engineering quality review, and subsequently to progress the design to the final bid set.

JUSTIFICATION

Additional funding is needed to address the project cost change due to the recent discovery of a design error found during the City of Seattle's permit structural review. The structural calculations will need to be revised and a redesign of the structural foundation and building structure completed to ensure that the project is up to current structural code. Additionally, a vibration impact analysis on the adjacent Fishermen's Terminal Buildings C-9 and C-10 will be conducted to determine current building condition and potential risk of damage during the foundation installation process recommended by the structural engineering consultant through a constructability study of the MInC building.

The requested funds in the amount of \$500,000 will cover consultant redesign fees, geotechnical analysis, and internal Port of Seattle labor to administer the design corrections and provide subject matter expert reviews to ensure that the project can progress to permit resubmittal and final bid set.

Diversity in Contracting

The WMBE utilization goal for Design is set at 15%.

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 for Construction.

In pursuing the Living Building Challenge 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 Living Building Challenge 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 May 2021, the Port has made the following progress:

- The Maritime Innovation Center has completed the 90% and 100% reviews; however the design error that was discovered will require a partial redesign.
- Submitted for construction permit at 90% completion, at which point the design error was discovered during the City's structural review.
- Contracted with two artists for 1% for Art.
- Drafted the layouts for the interpretive signage for the FT Site Improvements.

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- Completed a constructability study for the foundation and temporary building structure relocation. The study confirmed the constructability of the design and is informing how to minimize impacts to operations during construction.
- Completed a foundations alternatives analysis as risk mitigation and due diligence, confirming that the selected alternative for driven pile foundation is the most costefficient solution for the project.

Updated Cost Information at 100% Design of 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 skilled labor shortages realized in 2022, construction market volatility, and supply chain shortages for steel and long-lead materials.
- (2) Additional analysis required to confirm feasibility of current foundation design and construction methodology.
- (3) Discovery of design error that will require a partial redesign of the project and correction to the structural calculations to comply with City of Seattle structural code and ensure the building is seismically resilient.

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 MInC project design has been corrected and fully permitted to request authorization for advertisement for construction bids, as well as construction funding for the proposed MInC (U00414) and the Site Improvements (U00320) projects.

Schedule

Commission design authorization (Initial FT Redevelopment) 2016 Quarter 4

Design start 2019 Quarter 2

Design additional funds request 2021 Quarter 2

Design correction funds request 2022 Quarter 4

Commission construction authorization 2023 Quarter 3

Construction start 2024 Quarter 2

In-use date 2025 Quarter 3

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Cost Breakdown

Design

MInC Building \$500,000 \$3,650,000

Site Improvements \$0 \$1,525,505

Construction

MInC Building \$0 \$22,750,000

Site Improvements \$0 \$1,677,495

Total

MInC Building \$0 \$26,400,000

[does not account for \$5M State grant]

Site Improvements \$0 \$3,203,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing – Do not approve the requested action that allows 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.
- (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.

Alternative 2 – Do not approve the requested action and postpone MInC and site improvement projects.

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.

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(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, particularly as the sector begins to recover from 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 correct the design error discovered during permit review for the proposed MInC that will allow for the completion of the MInC and FT site improvements projects.

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

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This is the recommended alternative.

FINANCIAL IMPLICATIONS

The current estimate completed at 100% design increased the anticipated project cost of the MInC largely due to unprecedented levels of construction escalation caused by rapid inflation across markets, labor uncertainty, and supply chain shortages. The MInC increased 24%, and the Site Improvements decreased 8.5% between 90% estimate in July 2022 and 100% estimate in October 2022. The Site Improvements decreased partly due to a date error in the previous estimate that triggers construction escalation, a small drop in site electrical costs, and removal of design allowance at 100% design.

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Previous Estimate

MInC Building \$19,800,000 \$0 \$19,800,000

Site Improvements \$3,300,000 \$0 \$3,300,000

Current Change

MInC Building \$6,600,000 \$0 \$6,600,000

Site Improvements (\$97,000) \$0 (\$97,000)

Revised estimate

MInC Building \$26,400,000 \$0 \$26,400,000

FT Site Improvements \$3,203,000 \$0 \$3,203,000

AUTHORIZATION

Previous authorizations

MInC Building \$3,150,000 \$0 \$3,150,000

Site Improvements \$1,525,505 \$0 \$1,525,505

Current request for authorization

MInC Building \$500,000 \$0 \$500,000

Site Improvements \$0 \$0 \$0

Total authorizations, including this request \$0

MInC Building \$3,650,000 \$3,650,000

FT Site Improvements \$1,525,505 \$1,525,505

Remaining amount to be authorized

MInC Building \$23,250,000 \$0 \$23,250,000

FT Site Improvements \$1,677,495 \$0 \$1,677,495

Annual Budget Status and Source of Funds

Both projects were included in the approved 2022 Capital Plan:

- C801084 FT MInC – total project cost of \$19.9 million
- C801211 FT Site Improvements – total project cost of \$3.3 million

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Additional funding for cost increases will be covered by C800002 Maritime Management Reserve.

Both projects have been included in the Draft 2023 Capital Plan with updated estimates based on 90% design completion.

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.

Analysis and Summary

Project cost for analysis \$26,400,000
Business Unit (BU) Maritime Portfolio Management
Effect on business performance An updated cash flow forecast will be completed for the (NOI after depreciation) request for construction authorization (Q3 2023).
IRR/NPV (if relevant) NA
CPE Impact NA

ADDITIONAL BACKGROUND

This request for additional design funds is a result of a significant design error discovered during the construction permitting process.

- June 23, 2022 – The construction permit package for the FT MInC and Site Improvements was submitted 90% design to Seattle Department of Construction & Inspections (SDCI).
- August 29, 2022 – The project team was contacted by the structural engineering reviewer at SDCI to inform them of an error found in the structural calculations and design.
- September 8, 2022 – Project management team received level of effort estimate and schedule impacts for design correction.
- November 8, 2022 – Commission meeting to request additional design funds to complete design correction.

ATTACHMENTS TO THIS REQUEST

(1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

March 08, 2022 –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.

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 (2) to execute an amendment to the existing service

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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 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.

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