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COMMISSION

AGENDA MEMORANDUM Item No. 10b

ACTION ITEM Date of Meeting October 10, 2023

DATE: September 11, 2023

TO: Stephen P. Metruck, Executive Director

FROM: David McFadden, Managing Director, Economic Development Division

Kyra Lise, Director Real Estate Development

Stefan Wynn, Capital Project Manager

SUBJECT: T91 Uplands Development Additional Design Authorization (CIP #C800158)

Amount of this request: \$4,500,000

Total estimated project cost: \$84,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to approve additional design funding to execute the remaining service agreements for professional design and port-related costs for all project elements and improvements necessary to complete design, and inclusion of a 1 percent art program investment, for the T91 Uplands Development Project in the amount of \$4,500,000 and a total estimated project cost of \$84,000,000. (CIP# C800158)

EXECUTIVE SUMMARY

Background:

In February of 2019, the Commission authorized Design Funding for the overall Phase I and Phase II master planning, environmental review, permitting and full design services for the completion of Phase I. This work was based off a site development evaluation completed in 2017 and utility and infrastructure report completed by KPFF in 2018.

- In 2021 after completion of a subsurface investigation in the Phase I area and the development of the design to 10%, the design consultant services were discontinued.
- In Q4 of 2021 a contract with Mackenzie Engineering was executed to complete this scope of work.
- Additional subsurface site investigations to the Phase I and Phase II areas and validation to the KPFF infrastructure report identified additional infrastructure and utility upgrades that would be required from the initial assumptions. The Phase I buildings square footage were also increased in size by 20% per updated market analysis.
- To date the project has been developed to 60% design, the State Environmental Protection Act (SEPA) determination of non-significance has been issued and the Major

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Phased Development Plan permit (MPD) described below has been submitted and is currently under review by the Seattle Department of Construction & Inspections (SDCI).

The total anticipated project cost is estimated to be \$84,000,000. The Port of Seattle's 1% Art Program Policy is included in the projected total project cost. This request for additional design funding is to complete the design, permitting, and documentation to take this now larger project through the advertisement and bidding process.

Project Summary:

The Port's Economic Development Division (EDD) plans to construct upland light industrial building space (storage, warehouse, manufacturing) within the northeast portion of Terminal 91 (T91) to support maritime industries and the maritime supply chain in the Ballard Interbay Manufacturing Industrial Center (BINMIC). Major project components of the T91 Uplands Development that are included in the Major Phased Development Plan (MPD) include the following: Phase I, T91 utility infrastructure improvements, and Phase II.

- Phase I premises: Approximately 6 acres in size, located at the northeast portion of T91, will consist of developing approximately 120,000 SF of industrial building and associated amenities.
- T91 utility infrastructure improvements: In New telecom/Data distribution, a new Sewer connection, Stormwater upgrades, and Electrical Upgrades are required for the Phase I buildings and the pad-ready development of Phase II.
- 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. The

improved utility infrastructure will enable the potential for a built-to-suit or ground lease development for this phase.

#### 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.

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- 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) Support 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.
- 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 maritime and maritime supply chain industries.
- 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:

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

Operational Improvement:

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

Users Health, Safety, Welfare:

- a. 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.
- b. Integrate health safety and welfare considerations in all phases of the buildings' life cycle: planning, design, construction, operations and maintenance, renovation, and final disposal.

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(3) Champion Diversity and Equity

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

a. Meet or exceed the Port's diversity in contracting goals in the procurement of Design and Construction services.

b. Support apprenticeship utilization and workforce development during construction.

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.

(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 industrial maritime sector.

c. Demonstrate the Port's continued commitment to engaging communities near T91 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 has submitted permitting for a Major Planned Development (MPD) through 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 also completed a State Environmental Protection Act (SEPA) review for this project.

Diversity in Contracting

In the executed project-specific contract for professional design services related to continue progress towards design and permitting and complete the scope of work described below the consultants Diversity in Contracting Commitment was 18%.

After the completion of 90% design, the applicability of a Project Labor Agreement will be determined as well, in coordination with Labor Relations.

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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. Installation of new sewer line sized to serve Phase II development.

4. New Telecom and Data infrastructure extended to uplands to Support all current and future development.

5. Removal and replacement of on-site roadway and parking lot pavement

6. Construction of new building(s) totaling 120,000 SF

7. Upgrading of facility signage, lighting, and landscaping as required

8. Improvements to off-site public streets as, and if, required by the City of Seattle

9. Implementation of applicable environmental best management practices

10. Obtainment of LEED Core & Shell, Silver Level credential

11. Development of sustainable tenant design requirements for occupant build-out
  12. Installation of protected bicycle and pedestrian spaces
  13. Installation of conduit to enable future electric vehicle charging in all parking spaces
  14. Enable a future pedestrian portal on the Northern multi-use trail
  15. Install solar panels to provide approximately 20% of expected building energy use
  16. Avoid red list materials as defined by the International Living Future Institute
  17. Increase tree canopy in parking area by planting approximately 45 trees
- 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 Owner's Project Requirements
2. Submitted MPD permit for agency review
3. Completed Sustainable Design Approach
4. Final issued SEPA Decision - Determination of Non-Significance
5. Completed Traffic Report of existing and proposed impacts
6. Completed Geotech and Environmental subsurface investigation
7. Completed 60% Phase I design development
8. 15% & 30% Risk Analysis planning

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Schedule

Activity

Commission design authorization 2019 Quarter 1

Design start 2020 Quarter 3

Commission construction authorization 2024 Quarter 2

Construction start 2025 Quarter 1

In-use date 2026 Quarter 2

Cost Breakdown This Request Total Project

Design \$3,700,000 \$8,000,000

1% Art \$800,000 \$800,000

Construction \$0 \$75,200,000

Total \$4,500,000 \$84,000,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

Cost Implications: Halt spending on an approved Major Capital Project and loss of possible return on investment to date.

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 to enable future development at T91.

This is not the recommended alternative.

Alternative 2 - Authorize the additional design funding of a contract for professional design services to complete the design and permitting on T91 Uplands in two phases.

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Cost Implications: Continued spending on an approved Major Capital Project with a potential for a return on the investment made to date.

Pros:

Allow progress of project towards completion, achieving the following:

1. Meets Port objectives of supporting maritime industries and the maritime supply chain.
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.
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

Cost Estimate/Authorization Summary Capital Expense Total

#### COST ESTIMATE

Original estimate \$39,000,000 \$0 \$39,000,000  
Previous changes – net \$10,000,000 0 \$10,000,000  
Current change \$35,000,000 0 \$35,000,000  
Revised estimate \$84,000,000 0 \$84,000,000

#### AUTHORIZATION

Previous authorizations \$4,300,000 0 \$4,300,000  
Current request for authorization \$4,500,000 0 \$4,500,000  
Total authorizations, including this request \$8,800,000 0 \$8,800,000  
Remaining amount to be authorized \$75,200,000 \$0 \$75,200,000

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Annual Budget Status and Source of Funds

This project was included in the 2023 Capital Plan under C800158 T91 Uplands Development Phase I with a total estimated cost of \$79 million. The updated project cost estimate has been incorporated into the draft 2024 Capital Plan currently in development.

The project is being funded by the Tax Levy.

Financial Analysis and Summary

Project cost for analysis \$84,000,000

Business Unit (BU) Real Estate Development/EDD Portfolio Management

Effect on business performance The project is expected to generate approximately \$2 (NOI after depreciation) million in incremental revenue in the first year of full occupancy. The development will add approximately \$2.8 million of annual depreciation expense.

Updated financial information will be provided at construction authorization based on market conditions and the leasing strategy for the property.

IRR/NPV (if relevant) NPV: (\$58 million)

Payback 30+ years

#### ATTACHMENTS TO THIS REQUEST

(1) Presentation

#### 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.

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