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COMMISSION

AGENDA MEMORANDUM Item No. 10d

ACTION ITEM Date of Meeting November 21, 2023

DATE: October 27, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Dave McFadden, Managing Director, Economic Development

Kyra Lise, Director of Real Estate Development

Kelly Purnell, Project Manager, Waterfront Project Management

SUBJECT: Fishermen's Terminal Redevelopment Program - Maritime Innovation Center (C801084) and Site Improvements (C801211) Additional Funding Request

Amount of this request: \$ 4,017,495

Previously Authorized: \$ 32,590,505

Total estimated project cost: \$ 36,608,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to approve additional construction funding in the amount of \$4,017,495 to replenish project contingencies for a total project authorization of \$36,608,000.

EXECUTIVE SUMMARY

Staff is requesting authorization to renovate and transform the historic Seattle Ship Supply Building into a cutting-edge, Living Building Challenge (LBC) certified Maritime Innovation Center (MInC). The building will serve as a beacon for innovation within the maritime industry. It will bring in partners, students and innovators from academia, business, government agencies and the community together to collaborate around maritime problems and opportunities. The MInC will ultimately help support maritime industry vitality and sustainability. (It is intended that Maritime Blue will be the tenant/operator of the MInC under a lease agreement with the Port that is not part of this authorization. The Port's Asset Management team is currently negotiating with Maritime Blue the terms of that lease.)

The second project is a set of public space site improvements including new wayfinding and monument signage; interpretative signage with newly developed content intended to inform the public about the history, cultural relevance, and heritage of Fishermen's Terminal; and new landscape and public space hardscape improvements intended to enhance the visitor experience at FT. Each of the two projects include a 1% for Art investment yielding at least three new art works commissioned by the Port for the facility.

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In August 2023, the Port Commission authorized staff to proceed with the construction of the complete package of projects. The major works contract was advertised on August 28, 2023, and bids were opened for the construction contract on October 19, 2023.

Two bids were received in response to the construction advertisement, but one bid was automatically rejected due to late delivery. The sole qualified bid received was from Forma Construction for a total of \$20,542,000, which is \$3,954,486 or 23.85% over the Engineer's Estimate of \$16,587,514. The low bidder turnout can be chiefly attributed to the current construction market and highly specialized nature of the work with the Living Building Challenge certification, difficult soil conditions, and constrained operating space.,

Acceptance of the only qualified bid within the previous authorization of \$32,600,504 required reducing contingencies to offset the bid overage. The additional funds requested in this action will solely be used to replenish the funds available for project contingencies. Given the high risks associated with construction of this project, contingencies will be replenished to 25% of the total project construction contract.

The previous total project authorization of \$32,604,500 provided sufficient budget for the higher contract amount and associated sales tax, but the increase had to be offset by reducing contingency. Approval of this additional construction funding request will allow contingency budget to be replenished to the level appropriate for this type of project.

Due to the critical nature of the project schedule which is driven by a 6-month verification period in which the contractor will complete due diligence in assessing existing site conditions and confirming means and methods of construction, the procurement of long-lead items, and

beginning the deep pile foundation installation during the targeted dry summer months, the project proceeded in November with a construction contract award and execution in order to allow the contractor to start construction in May of 2024. Pushing this start date adds unnecessary risk to the project due to poor weather conditions in inferior waterfront soils and increases potential for issues in procuring long lead items. Additionally, the Port is entering into a lease agreement for tenancy with partner non-profit, Maritime Blue. Maintaining this construction schedule will allow for Maritime Blue to begin and complete the subsequent tenant improvements project on schedule in late 2025.

JUSTIFICATION

In 2015, the Port of Seattle Commission directed staff to develop a long-term strategic plan for Fishermen's Terminal (FT). The Port subsequently worked with VIA architecture to develop this plan, which utilized extensive engagement with internal and external stakeholders at FT. The FT strategic plan, produced in 2016, provided a context for determining a series of planned investments in the property to meet the key strategic objective outlined in the plan: to "leverage the maritime and fishing activities and industries, in alignment with Century Agenda goals, to prepare the uplands portion of Fishermen's Terminal for growth."

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Broadly stated, this package of projects and capital investments makes good on strategic objectives outlined in the FT Strategic Plan and primes Fishermen's Terminal for future growth with success measured against the following strategic outcomes:

- Continue to grow the economic value of the fishing and maritime cluster including the number of local jobs and business revenue.
- Improve overall financial returns to allow us to fulfill the Port's commitment to the industry and taxpayers.
- Prioritize uses that support the commercial fishing industry, with a focus on anchoring the North Pacific Fishing fleet.
- Prioritize development that maximizes utilization of facility assets.
- Recognize and enhance Fishermen's Terminal as a living community landmark.

Maritime Innovation Center (MInC)

As part of efforts to redevelop Fishermen's Terminal, staff has worked over the past six years with the maritime community to develop a Maritime Innovation Center that will:

- Be a focal point for maritime innovation.
- Support investment in Blue Economy start-ups and new technologies.
- Offer an incubator and accelerator environment.
- Drive equitable economic development.
- Support workforce development and maritime career exploration.

The Center can help the region's maritime industry adopt advanced technologies and stimulate innovative entrepreneurship. Staff has visited maritime innovation centers like the Ocean House in Iceland or Alta Sea at the Port of Los Angeles and seen how these facilities are helping sustain important fishing and maritime industries. Developing the Port of Seattle MInC can foster similar impacts. This is a significant opportunity for the region and Washington State:

- The MInC can support maritime industry competitiveness and position it for new opportunities. 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 Center can tap into our region's world class entrepreneurial ecosystem and channel its energy and technologies to benefit the maritime industry.
- Public and private partners are interested in the MInC as focal point to help advance: 1) electrification; 2) ship and vessel design innovation; 3) marine renewables; and 4) seafood product development.

The MInC also builds upon a successful partnership we have forged with Maritime Blue (MB). The Port and MB have built a successful maritime accelerator program and are now instituting a new incubator program at Fishermen's Terminal. The Port also has a significant partnership with MB to advance maritime career exploration and development. These key initiatives will continue

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to unfold over the next few years, and they can further scale when MB expands operations into the MInC.

Developing the MInC aligns with and advances the Port's Century Agenda. Developing a Living Building Challenge (LBC) certified facility demonstrates the Port's commitment to be the greenest and most energy-efficient port in North America. The MInC will also host work and collaborations focused on green energy development and sustainability.

The MInC also demonstrates the Port's commitment to responsibly invest in the economic growth of the region and all its communities. The facility will promote industrial land use and investment. It will also support career connected learning, workforce development and women- and minorityowned business development.

Signage/Landscaping Improvements

The second project is a set of public space improvements in and around the vicinity of the Maritime Innovation Center which include wayfinding and site signage, interpretative signage and landscaping which connects to our goal to become a model for equity, diversity, and inclusion. This package of improvements enhances the public experience at Fishermen's Terminal that was a priority of the FT Strategic Plan. Our design works to balance our objectives of inviting the public to explore FT and understand the value of the working waterfront by clearly separating the public from the operational needs of the Terminal.

Our new interpretative signage content was developed by public historian Sharon Boswell to work with Native consultant Headwater People and representatives from the Port of Seattle's Office of Equity, Diversity, and Inclusion (OEDI). These representatives engaged stakeholders from various institutions across Seattle whose role is aligned with developing public histories (National Nordic Museum, MOHl, Burke Museum) as well as representatives from the local fisher community to develop the story of FT featuring a wider array of voices, communities, and key issues that have influenced the history of FT. The new historic content updates and contextualizes the facility's historic role in the region through the eyes and stories of the individuals and communities of FT. Overall, the interpretative signage program is designed to do the following:

- Improve public literacy about the maritime and fishing industries.
- Integrate Native history and context to the story of FT.
- Explore the communities who have contributed to the history of FT.
- Better understand the ecological and industrial context of FT.
- Provide clear and safe pedestrian navigation of the public on the working waterfront.
- Increase exposure to the public of retail and dining establishments.

Project Labor Agreement:

There is a project labor agreement (PLA) for the MInC project. The PLA for this project requires an apprenticeship of 15% of total labor hours. Of that, 21% will be People of Color, and 12% will be women. Additionally, this PLA has a priority hire requirement of 20%.

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Diversity in Contracting

The project has met the 20% of design contracts requirement, and the Project Labor Agreement (PLA) for this project exceeds the LBC requirement for workforce development. In addition to meeting the LBC imperative, the Port Diversity in Contracting Department established a 12% aspirational WMBE goal for the MInC and Public Site Improvements project. The sole bidder on the project has stated a 12% WMBE utilization commitment.

Sustainability at the MInC

The Living Building Challenge is comprised of seven performance areas, or "Petals": Materials, Place, Water, Energy, Health and Happiness, Equity, and Beauty. The LBC now has ten Core Imperatives that address the fundamental tenets of each Petal; all the Core Imperatives are required for Petal Certification. Inclusion is a new imperative addressing diversity in hiring and access to training compliance. This establishes the requirement to include diverse stakeholders from vulnerable or disadvantaged populations in the design, construction, operations and maintenance phases.

DETAILS

Scope of Work

The following scopes of work will be completed:

Maritime Innovation Center (MInC):

The MInC will be an incubator space that supports and drives innovation in the maritime sector at Fishermen's Terminal in Seattle through collaborative research and enterprise development

support services, operated by Maritime Blue, a non-profit partner of the Port. Once constructed the MInC will provide light industrial spaces, office, meeting rooms, research and development, as well as classrooms and collaboration space that will bring together leaders within the maritime cluster. The alteration of the historic structure will transform the building in many ways with an all-new exterior envelope, seismic upgrades, building systems, and leading-edge sustainability features in line with the Port of Seattle's goal to be the greenest, most energy efficient Port in North America.

The following work will be completed:

- Hazardous materials abatement for lead paint, asbestos, and silica that is so prolific in early twentieth century construction will be completed by Port Construction Services in advance of the general contractor breaking ground.
 - Demolition and renovation of the "core and shell" of the building, meaning all existing siding, roofing, utilities, and internal infrastructure will be removed, while preserving the bulk of the original timber framing.
 - The building will be jacked and cribbed and temporarily relocated to the adjacent south parking lot to install a new driven-pile deep foundation with grade beams and pile caps.
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- Renovated and new core and shell including preserving the rare and valuable original old-growth timber framing, reinforced with modern steel framing.
- Salvage of existing old-growth timber flooring and some of the existing beams that will not be used for the framing, will be restored and used for flooring, benches, and other building aesthetic components.

Sustainability Details

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 (ground source heat pump).
- 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.
- No "red list" materials will be used – significant reduction in 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

Public Site Improvements:

The FT Site Improvements include:

- Providing clarity for vehicular, bike and pedestrian routes and access with improved wayfinding signage and branding
- Electrical lighting upgrades
- Low maintenance landscaping

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- Interpretive signage
- Provisions for parking and loading to accommodate future needs
- These site improvements will link the remodeled MInC to the central commercial core of

Fishermen's Terminal primarily comprised of the Fishermen's Center Building (C-15 Building), and the parking areas in between them.

1% for Art

Two contracts have been executed to commission original works of Art for the MInC.

- Ty Juvinel – A local Coast Salish carver, Cultural preservationist, and artist. Ty has submitted a proposal for a 12-foot laser cut aluminum sculpture depicting Coast Salish traditional purse seining.
- Shogo Ota – A Seattle based graphic designer and artist specializing in murals, event posters and custom illustrations. Shogo has submitted a proposal for a large-scale mural depicting salmon migration that will be located on the west side of Net Shed 3, immediately adjacent to the MInC.

A third artist has been selected for Public Site Improvements Art. A contract for the art commission is currently in development.

Tenancy

The MInC is proposed to be tenanted by the Maritime Blue Accelerator project and other relatively small anchor tenants associated with Maritime Blues program not yet identified. Selection of the master tenant will be timed in coordination with the construction timetable for the MInC such that occupancy can begin with the issuance of an Occupancy Permit by the City of Seattle.

Risk Management

A robust risk management program was designed to accommodate the risk profile of this project. 25% major construction contingency was included in the construction authorization in August 2023. One of the known top ten risks identified by this project that could not be fully mitigated was bids significantly over estimate. This risk was realized during the bidding process in October 2023 when the project received only one qualified bidder at nearly 24% over the estimate, reducing the contingency budget to 6%.

However, other significant risks remain due to the complexity of the project, including poor soils, need to temporarily relocate the building, and general unknown site conditions despite the many studies that have been conducted. The selected delivery method did not allow for a contractor to be involved in details of the development of the project construction means and methods and site validation efforts, creating gaps in information that would otherwise assuage a contractor's risk tolerance.

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Fishermen's Terminal, like much of Port-owned waterfront properties, was built on poor quality fill soils. The soil conditions at the location of the Seattle Ship Supply building will require a new, deep driven-pile foundation. Additionally, current land use code prohibits building "new" buildings within the shoreline. The project is within the shoreline. The building cannot be completely disassembled to install the new foundation and then reassembled as to do so runs the risk of being considered "new" build per code. Therefore, it is likely that the building will need to be jacked and cribbed, and temporarily relocated in its entirety into the adjacent south parking lot, a significant risk which must be carefully approached to ensure success.

These conditions, along with the inherent complexity of renovating a 100+ year-old timber frame building, and incorporating all the diverse FT stakeholder inputs, carries more risk than a typical new construction building project. Replenishing the contingency fund to 25% would ensure that construction change orders resulting from the realization of these risks could be executed without delay.

Schedule

Activity:

Commission initial design authorization 2016 Q4

Design start 2017 Q1

Commission additional design funding authorizations 2019 Q1, 2019 Q2, 2021 Q2, 2022 Q4

Commission authorization for conditional construction 2020 Q4

for execution of \$4.87M Dept. or Commerce grant

Commission construction authorization 2023 Q3

Commission authorization for additional construction 2023 Q4 funds

Construction start 2024 Q2

In-use date 2025 Q4

Cost Breakdown This Request Total Project

Design (including 1% for Art)

MInC \$0 \$3,650,000

Public Site Improvements¹ \$0 \$1,525,505

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Environmental Remediation Liability

Soil Remediation \$500,000

Abatement \$160,000

Construction (including 1% for Art)

MInC and Public Site Improvements² \$4,017,495 \$ 30,772,495

Total³ \$4,017,495 \$ 36,608,000

¹August 2023 Construction Authorization showed an incorrect previous design authorization of \$1,535,000. The table above has been updated to reflect the correct amount of \$1,525,505.

²MInC and Site Improvements were bid as a single package

³Does not account for additional \$5M Dept. of Commerce state grant #19-92201-007

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Proceed with the construction of the Maritime Innovation Center and Site Improvements with a reduced contingency of 6%. Replenish contingency only when the need materializes during construction.

Cost Implications:

Less initial impact to the capital budget in the amount of \$4,017,495. Would defer this budget impact to a later date.

Pros:

(1) Retains Port capital for other priority projects and financial initiatives in the short term.

Cons:

(1) Need for project contingency could exceed current amount of 6%, which would require project to return to Commission, and risk construction delay(s) and increased total cost due to escalation.

This is NOT the recommended alternative.

Alternative 2 – Approve the requested additional construction funding authorization.

Cost Implications:

\$4,017,495 impact to the capital budget to replenish contingency.

Pros

(1) Provides additional contingency to execute construction change orders without delay in the event a significant issue arises that exceeds budgeted contingency amount.

(2) Decreases risk of construction schedule delays and additional cost due to escalation.

Cons

(1) Commits additional Port capital to project.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Previous estimate (including 1% for

Art) \$29,400,000 \$0 \$29,400,000

MInC Building \$3,190,505 \$0 \$3,190,505

Site Improvements

Current Change (including 1% for Art)

MInC Building & Site Improvements \$4,017,495 \$0 \$4,017,495

Revised estimate (including 1% for Art)

MInC Building & Site Improvements \$35,948,000 \$36,608,000

ERL: Soil Remediation \$500,000

ERL: Abatement \$160,000

AUTHORIZATION

Previous authorizations

MInC Building \$29,400,000 \$0 \$29,400,000

Site Improvements \$3,200,000 \$0 \$3,190,505

Current request for authorization

(including 1% for Art)

MInC Building & Site Improvements \$4,017,495 \$0 \$4,017,495

Total authorizations including this

request \$36,608,000

MInC Building & Site Improvements \$35,948,000

ERL: Soil Remediation \$500,000

ERL: Abatement \$160,000

Remaining amount to be authorized

MInC Building \$0 \$0 \$0

Site Improvements \$0 \$0 \$0

Annual Budget Status and Source of Funds

The MInC project was included in the 2023 Plan of Finance under C801084 FT Maritime Innovation Center with a total estimated project cost of \$25,060,000. The Public Site

Improvements project was included in the 2023 Plan of Finance under C801211 FT Site Improvements with a total estimated project cost of \$3,487,000. Additional funding will be reallocated from the Maritime Management Reserve (C800002).

The projects were bid as single package. A single qualified bid was received for \$20,542,000 plus WSST resulting in an overall project total deficit of over \$4 million.

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Both projects are funded by the Tax Levy. The MInC 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 \$36,608,000 (Net: \$31.6 million with state contribution)

Business Unit (BU) Maritime Portfolio Management

Effect on business performance Upon full occupancy, the building is expected to generate (NOI after depreciation) incremental revenue of approximately \$550K per year. A

more accurate income forecast will be available upon

execution of future lease/operating agreement

(mentioned above in the Executive Summary). The

development will increase annual depreciation by

approximately \$670K.

IRR/NPV (if relevant) NPV: (\$21+ million)

CPE Impact N/A

ADDITIONAL BACKGROUND

The Living Building Challenge:

The MInC and Public Site Improvements project will achieve what only a handful of projects have done to date through adoption of the Living Building Challenge. The LBC consists of seven performance categories, or "Petals": Place, Water, Energy, Health + Happiness, Materials, Equity and Beauty. Each of these petals requires an intensive and intentional design, skilled construction, and a 12-month maintenance and data collection period to prove that all the innovative sustainable systems are working properly and achieving maximum efficiency to obtain final LBC certification. LBC excludes all "Red List" chemicals in the materials used, requires salvage of wood materials, enhances the health of the community through equity, education, aesthetics, clean air and water, and access to public amenities.

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 8, 2023 – Commission authorized \$27,415,000 construction funding for the construction of the Maritime Innovation Center (C801084, U00414) and Public Site Improvements (C801211, U00320).

- November 11, 2022 – Commission authorized an additional \$500,000 in design funding for the proposed Fishermen's Terminal Maritime Innovation Center (C801084, U00414)

to complete design and permitting due to a design error that required correction.

- 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 Template revised June 27, 2019 (Diversity in Contracting).

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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 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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