

# PROJECT BRIEFING MEMO

Port of Tacoma Commission



Item No: 10B  
Meeting Date: 2/21/24

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**DATE:** February 13, 2024  
**TO:** Port of Tacoma Commission  
**FROM:** Eric Johnson, Executive Director  
Sponsor: Eric Johnson, Executive Director  
Project Manager: Deirdre Wilson, Sr. Manager, Planning  
**SUBJECT:** Earley Business Center Master Plan Update Briefing – Scenario Analysis findings

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## A. BRIEFING PURPOSE

The purpose of this memo is to provide an update on the Scenario Analysis findings for the Earley Business Center (EBC) Master Plan.

### **Strategic Plan Initiative:**

This project supports the Economic Vitality foundational goal in the Port's Strategic Plan: *Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade and transportation.* This project also supports the Environmental Leadership and Organizational Success foundational goals.

## B. SYNOPSIS

The Earley Business Center is a significant Port asset located at the end of the Blair Hylebos Peninsula in Tacoma's Commencement Bay. Many of the buildings on site are near or at the end of their economic life and need repair or replacement. As such, the Executive Director has asked staff to develop a long-range vision and plan, consistent with the Port of Tacoma Strategic Plan, to guide future development, investment, and decision-making for the asset. The ultimate goal is to develop a Master Plan for the EBC to help the Port of Tacoma identify and prioritize site investments.

Many possible scenarios were considered and evaluated for the site. Among them, four best suited scenarios were identified for further study. A deep dive into the four scenarios resulted in a few sub-scenarios. All scenarios were evaluated with the Port's Strategic Plan Foundational Goals and Guiding Principles. After careful evaluation, one of the scenarios was recommended. This scenario focuses on improvements at the site to accommodate existing and new water dependent users. In the analysis, the site included approximately 50 acres, i.e., all EBC area except for the area leased to the US Army. The timeline for the analysis was 25 years.

## C. BACKGROUND

The EBC is a historic shipyard located at the end of the Blair-Hylebos Peninsula in Tacoma's Commencement Bay. The land was created from dredged material from the surrounding waterways and has been used for a variety of industrial activities over the last century. Due to being a land of dredging deposit, soils at the site are prone to liquefaction. The liquefaction condition significantly increases development costs for the site.



The site was first used for shipbuilding in support of the war efforts during World Wars I and II and continued to support shipyard services in the post-war era. The Port of Tacoma purchased the site in 1959, putting it to varied industrial uses including freight distribution, furniture manufacturing, lumber milling, and vessel services such as mooring and maintenance.

The site is located within the City of Tacoma boundary and is zoned Port Maritime and Industrial (PMI). PMI is a heavy-duty industrial zoning meant to protect the long-term viability of the Core Maritime Industrial Area, including maritime manufacturing. Two shoreline zoning districts also apply to the site: S-10 Port Industrial Area Shoreline District and S-13 Marine Waters of the State Shoreline District. The S-10 zoning is a high-intensity zoning that gives priority to water-dependent uses, and S-13 zoning applies to the submerged portion of the site, preserving it for navigation, commerce, and recreational purposes. There are no anticipated changes to the site's zoning.

The site is a 74-acre parcel made up of approximately 50 acres of developable upland area and 24 submerged acres available for development of waterfront facilities. Various permanent structures on the site total over 350,000 square feet of industrial space, and most of that space is leased to tenants. Despite the Port's success in leasing this area, most of these facilities and their utilities are outdated and not well-suited to today's modern manufacturing needs. There are inspections underway that will produce accurate information on the current condition of the assets.

### ***Structures & Infrastructure:***

Many of the buildings date to the 1940s or earlier and are well past their economic and useful service lives. The Port recently completed the installation of temporary structural repairs for Building 532<sup>1</sup>. Port staff is continuing to monitor this building and others throughout the EBC for structural concerns that could compromise the safe use of the building(s). Additional repairs are forecasted for these buildings based on the draft results of the condition assessment underway.

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<sup>1</sup> Building 532 is approximately 64,000 SF and is currently leased by two tenants, SAFE Boats, and Omega Morgan.

The site's waterfront facilities include three piers, a wharf, a large boat ramp, and a shipway that is not usable in its current condition. Most of these waterfront facilities are in the northwestern portion of the site with limited water access.

The existing utilities that service the EBC are also nearing the end of their useful service life. Upgrades have been made to some of the electrical and storm water components that service some of the operations, but in general the utility infrastructure needs replacement and upgrades to ensure it has the capacity, in all aspects, to support a modern manufacturing hub.

### ***Environmental Conditions***

Redevelopment of the site is further complicated by historical contamination. The site is a brownfield with confirmed soil and groundwater contamination from a century of industrial use. There is also contamination on site that migrated from the neighboring property privately owned by Occidental Chemical Corporation, which was used for chemical manufacturing. Both the Port of Tacoma and Occidental Chemical Corporation are working with Ecology to develop cleanup action plans to address these legacy contamination conditions in the area to meet environmental commitments and better prepare the site for future redevelopment. A clean up action plan is out for review by the WA State Department of [Ecology](#) through March 29, 2024.

### ***Current Tenants & Marketability***

The northeastern portion of the EBC has been home to two anchor tenants since 1995, Trident Seafood Corporation and the US Army Reserve. Retention of two long-term tenants demonstrates market attractiveness.

Notwithstanding the facility conditions, the Port of Tacoma has been able to attract three maritime manufacturers to the area, due to its prime waterfront location. SAFE Boats International designs and builds vessels for the military, law enforcement, and emergency responders. Motive Power Marine is a shipyard specializing in barge maintenance, repair, and modification services. Silverback Marine moved into the EBC in 2021 with help from Washington Maritime Blue Innovation Accelerator, bringing a water dependent user and ten new jobs to the area.

## **D. PROJECT DETAILS**

The Scenario Analysis follows the previous study on "Market Analysis & Highest and Best Use" that was completed for the EBC in June 2023. The study provided a wide look at feasible options for the site, based on local and regional industries and sectors. The purpose of the Scenario Analysis is to identify an overarching direction for the list of potential uses for the site, and to direct the master planning on a focused path.

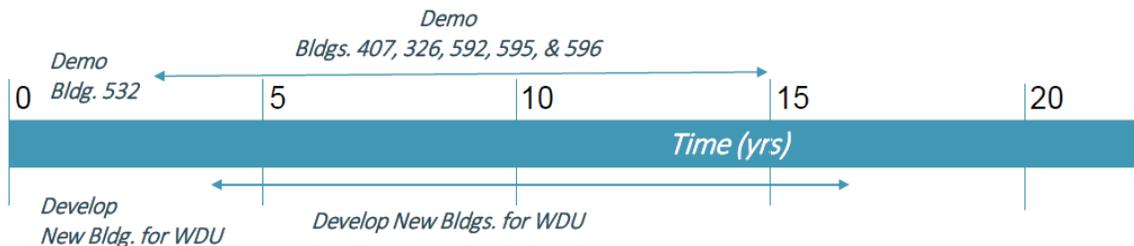
The scenarios analyzed included:

1. **Scenario #1 - Status Quo:** the objective of this scenario was to keep current a break-fix approach and continue with the current business approach of using the asset for a mixed water and non-water related uses.

2. **Scenario #2 - Redevelop for Current Users:** the objective of this scenario was to keep current mix of water and non-water related uses and accommodate their real estate needs by replacing the buildings like for like as needed. This scenario is not focused on long term business planning but focused on keeping the current business going as is.
3. **Scenario #3 - Develop with a focus on the Water:** the objective of this scenario was to plan for only water dependent users, existing and new. This scenario is focused on long term business planning for EBC and positioning POT for future emerging industries. In this scenario, the site is planned to be developed in stages and for multiple tenants.
4. **Scenario #4 - Build all new:** the objective of this scenario with to focus on the water, for one water dependent user.

In alignment with the Port’s Strategic Plan, the project team ranked each scenario based on metrics related to the financial evaluation (without external investment), environmental impact, overall risk, water use dependency, and a qualitative assessment of community impacts – such as job creation.

Scenario #3 was the highest ranked among all the scenarios and their sub scenarios identified for this study. In this scenario, the objective is to plan for only water dependent users and attract new water dependent users. Leases would not be renewed for current users that do not need a waterfront location. Water dependent users related to emerging industries will be preferred and the assets will be planned, designed, and built based on their needs. Examples of a new uses emerging industries are eTug manufacturers, offshore wind support manufacturers, etc. Also, this scenario considers conventional users such as small boat builders, fish processing, etc. For the financial analysis, a timeline of demolition and construction was considered that will provide the best financial result.



Scenario #3: Building Timeline

**Summary of Scenario Analysis Conclusions**

- Scenario #3 aligns with Port’s goals and Guiding Principles, thus making it the highest ranking.
- In Scenario #3, all buildings and water access facilities will provide functionality needed for water dependent uses.
- Scenario #3 could be regarded as a Strategic Business Initiatives for emerging industries with interest in investing.
- Scenario #3 was evaluated to have the least risk among all scenarios, when evaluating the financial, legal, public relations, safety & health, people, environmental risks.

- In comparison to other scenarios, Scenario #3 has the potential to create more job opportunities, directly and indirectly due to modernization.
- From a financial analysis point of view, in all scenarios where development of the site is required, either grant or capital investment are needed.

#### E. FINANCIAL SUMMARY

For each scenario, different financial cases and models were considered and analyzed. Two different cost sources were separately considered to improve the quality of the cost data for all scenarios: 1) Moffat and Nichol and 2) EHDD. For all financial modeling, the additional construction cost due to the site being prone to liquefaction was considered. For all the scenarios, different cases were considered to explore more cost options and their impact on the financial analysis. Cost of the site mitigation for contamination was not part of the financial analysis.

The outcome of the financial analysis for all scenarios where development of the site is required (Scenarios #1, #2 and #3), was negative Net Present Value (NPV) with a Weighted Average Cost of Capital (WACC) variation considered from 4% to 12%.

This is indicative of the projects' need for either grant or capital investment to turn it into a financially feasible project. For the financial analysis of Scenario #3, a low, medium, and high-cost example was considered. Considering these three examples helps to understand the range of potential development options within Scenario #3. The three examples are:

- 1) Cost-effective solution which would provide incubator spaces for smaller water dependent users – high level cost estimate is approximately \$100 million to \$190 million.
- 2) Seafood process and related cold storage users – a high level cost estimate is approximately \$135 million to \$250 million.
- 3) Boat manufacturing facility with large high bay warehouses – high level cost estimate is approximately \$210 million to \$395 million.



Example: Small Water Dependent Users



Example: Seafood Processing



Example: Boat Manufacturing Facility

## F. ENVIRONMENTAL IMPACTS/REVIEW

Historical shipyard activities at the property have contaminated soil and groundwater. Contaminants include metals, petroleum, polychlorinated biphenyls (PCBs), carcinogenic polycyclic aromatic hydrocarbons (PAHs), and volatile organic compounds (VOCs). Solvent and pH contamination from the former manufacturing operations at the Occidental Chemical site have migrated onto the property as well.

[Ecology](#) issued a Potential Liable Party status letter to the Port in 2012. On January 17, 2013, Commission approved entry into an Agreed Order (the Order) with Ecology for completion of a Remedial Investigation, Feasibility Study, and draft Cleanup Action Plan. Between 2013 and 2017, the Port completed the Agreed Order scope of work and in April 2017 Ecology notified the Port in writing that the provisions of the Order had been met. In 2020, Ecology sent the Port notification that the requirements of the Order have not been fully satisfied and additional work will be required. Port staff have met with Ecology multiple times to express our concern about Ecology walking back from their prior approvals. Ecology maintains its position that supplemental work will be required.

The Commission was previously briefed on the conflict on September 2, 2020. The Port and Ecology are currently negotiating an amendment to the Agreed Order and supplemental scope of work to address Ecology’s outstanding concerns.

Negotiations are nearing completion. Port environmental staff anticipate requesting Commission approval in Q3 2024 to amend the Agreed Order and for additional project authorization to complete the supplemental scope of work.

**G. PREVIOUS ACTIONS OR BRIEFINGS**

June 22, 2023	Market Analysis & Highest and Best Use Study
April 11, 2023	Update Briefing
February 2023	EBC Commissioner tours
October 21, 2022	Executive Authorization of Consultant support for EBC Master Plan - \$275,000

**H. ATTACHMENTS TO THIS REQUEST**

Slide presentation.

**I. NEXT STEPS**

Given the recommended scenario, the following steps are suggested:

- 1) Continue plans for the site clean-up of contamination and get an approved Clean Up Action Plan.
- 2) Finalize the condition assessment of the existing buildings and water access facilities to determine their remaining service life.
- 3) Identify near-term steps needed to retain current water dependent tenants at the site and develop a 1 to 5-year implementation strategy.
- 4) Further refine the business opportunities that are a good fit for the site based on investor interest and pursue grants, consistent with recommended scenario (i.e. Scenario #3).