

# ACTION ITEM MEMO

Port of Tacoma Commission



Item No: 6A  
Meeting Date: 6/18/24

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**DATE:** June 10, 2024

**TO:** Port of Tacoma Commission

**FROM:** Eric Johnson, Executive Director  
Sponsor: Alisa Praskovich, Chief Strategic Projects & Commission Relations  
Project Manager: Stanley Ryter, PE, Senior Project Manager

**SUBJECT:** Port of Tacoma Business Center Building Size Authorization (Master ID # 101549.01)

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## A. ACTION REQUESTED

Request Commission approval to design approximately 60,000 square feet of occupied space for the Port Business Center, which will include administrative offices, Commission meeting spaces, and public lobby.

**Strategic Plan Initiatives:** EV-4, EL-1, OS-4, OS-6

## B. SYNOPSIS

The Port of Tacoma (Port) has partnered with Tacoma Public Schools (District) to develop a Port Maritime Center Campus and a Maritime Skills Center (Maritime | 253) on Parcels 92 and 94. Maritime | 253 will support future employment needs of the maritime and logistics industry and the Port Maritime Center will support the Port's business needs with a new administration office and Commission meeting space. In cooperation with the District, the project is being delivered using the Progressive Design-Build method. This delivery method will shorten the schedule and achieve earlier cost-certainty and require timely decision making. Port staff seek Commission approval of the proposed square footage of the Port's Business Center consisting of 60,000 square feet of occupied space so that final design and cost estimating can be completed.

## C. BACKGROUND

### 1. Interlocal Agreements

Since 2021, the Port has worked to develop a new Port Maritime Center and Maritime Skills Center in partnership with the District. To date, the Port and District have entered into a series of Interlocal Agreements to plan and develop the project, summarized below:

ILA	DATE	KEY TERMS
ILA #1	3/23/2023	Development of master plan; Design Build Team procurement and selection; cost sharing, Port completion of site conditions assessment.
ILA #1 Amend. #1	10/17/2023	Invoicing procedure for Phase 1 Design-Build Team costs; use of District Project Management Consultant (Parametrix) and not-to-exceed costs; cost split for 30% design fees.
ILA #2	8/31/2023	Port agreement to provide development site for District on Parcel 94; allocation of costs for existing conditions; site master planning; community engagement process; Design-Build Team compensation and invoicing through 30% design; use of Parametrix.
ILA #1 Amend. #2	3/19/2024	Extension of agreement terms through 60% design and associated invoicing procedure.
Ground Lease ILA	3/21/2024	Ground lease ILA with the District for the Maritime Center property approved. The District’s Board approved the ground lease on May 23, 2024.

**2. Prior Budget Authorizations and Building Design**

Commission previously authorized \$1.5M in April 2023, primarily to complete two phases of cultural and environmental investigation. Commission also authorized funds in October 2023 to take the project to 30% design. The Commission held two study sessions - February 13 and February 27, 2024 - to provide information and gather Commissioner feedback on the approach to master planning, site development and building design. The building design and floor plans shared with the Commission at this time were at 30% design. At this stage of building design, the Design-Build Team provided an overview of the building envelope size at just under 60,000 square feet for the Port Business Center and shared an updated cost range for each of the major project elements.

At the March 19, 2024, meeting, Port Commissioners authorized funding to advance design from 30% to 60%, cover additional legal fees for the BNSF crossing agreement and design-build contract review, permitting costs for environmental and site development, continuation of master planning and community engagement, retaining a commissioning agent, and staff time. As the project advanced, in April, the staff continued with the monthly 1x1 or 2x2 sessions with commissioners for progress updates. As the May 8th Commission retreat date approached, commissioners wanted a more in-depth understanding of the building size and programming needs, master planning, and updated project costs. Staff and consultants shared the following details with the Commission at that retreat:

- Updated project costs broken down by building, site improvements, shoreline improvements, remediation, offsite improvements, furniture, fixtures, equipment, other soft costs, railroad crossing design, and WA State sales tax.
- Programming review of how the Design Team arrived at a 60,000 sq ft building that included the Commission Meeting space and public lobby and highlighting new functionalities when compared to old building (e.g., ADA compliance, building energy efficiency, break rooms, more meeting rooms, Security Operations Center, etc.).
- Potential options Commissioners could consider about building size (e.g., reducing Commission Meeting spaces and lobby), as well as the current and potential rental income profile from One Sitcum and the Fabulich Center.
- Updated master planning and community engagement efforts.

On May 21, 2024, the Commission received the requested briefing on the proposed short and long-term occupancy plans for the Port Business Center to house 168 total personnel with a 15% staff growth contingency. Since receiving Commission authorization to move the project to 60% design, through an extensive programming process, the Design-Build Team finalized a proposed total building size of approximately 60,000 square feet of occupied space for the Port Business Center to include Commission Meeting spaces and public lobby. Staff provided Commissioners a summary of the programming work completed to arrive at the proposed total building square footage as part of the May 21<sup>st</sup> Briefing Memo package. Below are the additional planning assumptions provided to the Design-Build Team that they incorporated into the building user requirements for design purposes:

- Total staff occupancy of 168, including staff from the Port of Tacoma and NWSA, and a 15% contingency for future growth.
- The Port would eventually demobilize the current Port administration building spaces at One Sitcum and the Fabulich Center and all Port and NWSA staff (except for the NWSA Operations Team and the actual Port Security Patrol units) would relocate to the new Port Business Center over time.
- Staff in-office 3 days per week, in addition to most staff in the building for Port Commission meetings, NWSA Managing Member meetings, quarterly All-Hands meetings, and other all-staff events.
- Both Port Commission and NWSA Managing Member meetings would take place in the new Port Business Center.
- Port and NWSA Directors and above to have a dedicated office space.
- The 24/7 Port Security Command Center and supporting offices for Security administrative staff would be in the new Port Business Center.
- Two executive-level float offices for Port Commissioners or other visitors.

The Project Team gathered detailed information from Port and NWSA staff on current and projected needs. The areas explored through numerous work group sessions are listed below:

<b>Staffing Levels</b> <ul style="list-style-type: none"><li>▪ Current staffing levels for the department</li><li>▪ Projected staffing levels</li></ul>	<b>Workspace Arrangements</b> <ul style="list-style-type: none"><li>▪ Orientation of workspace for most conducive workflow, interactions, privacy, etc.</li><li>▪ Workstation options (Review prelim Office Standards)</li></ul>
<b>A Day in the Life</b> <ul style="list-style-type: none"><li>▪ Daily department routines</li><li>▪ Sensitive or private functions</li></ul>	<b>Adjacencies and Shared Functions</b> <ul style="list-style-type: none"><li>▪ Proximity to and interactions with other departments or work groups.</li><li>▪ Access to shared spaces</li></ul>
<b>Meeting Spaces</b> <p>Access to, frequency, and types of meeting spaces</p>	<b>Storage Requirements</b> <ul style="list-style-type: none"><li>▪ Filing needs within work area</li><li>▪ Materials and other storage requirements</li></ul>
<b>Security</b> <ul style="list-style-type: none"><li>▪ Security considerations</li></ul>	<b>Equipment and IT Needs</b> <ul style="list-style-type: none"><li>▪ Data/Comm / Audio-Visual / Office Equipment / Etc.</li></ul>

Since December 2023, the Port’s project team visited several newly constructed government agency administrative headquarter buildings. The purpose of the visits was to further inform the programming process and dial-in the recommended total building square footage of the new Port Business Center. Except for one agency (Port of Kalama, which intends to build a second floor when needed as the Port grows), the leadership team at each agency regretted not adding more square footage to the building footprint. In each case the building designs included a workstation, cubicle, or office for 100% of existing staff.

Leadership interviewed as part of the visits considered the current and anticipated hybrid work environment of the future but erred on ensuring the building design had seating or offices for 100% of the current staff and could accommodate future growth. Lastly, each government entity had varying employee hybrid/remote work policies, with three of the four back to office full-time, while the Port of Long Beach evolved the return-

to-work policy from two in-office days per week to the current state of three in-office days per week, Monday-Wednesday.

Information on the buildings visited is below. It is important to note that not all new buildings included Commission meeting spaces as noted by an asterisk (\*).

Building	Year Built	Sq ft	Staff	Sq ft/pp
Port of Kalama [outside parking lot]	2014	13,500	25	540
Port of Long Beach* [2-level underground parking garage]	2019	238,000	525	453
Port of Corpus Christi* [outside parking lot]	2021	75,525	300	252
Chelan Public Utilities [outside parking lot]	2023	123,000	450	259
<b>Average Sq ft per person</b>				<b>376</b>

In addition to site visits, the team researched the recently constructed Port of Portland Headquarters building completed in 2010. This 10-story, 205,000 sq ft building includes 478 workspaces, conference rooms and a public meeting space. With this project, the Port consolidated its 478 employees into one building, and sold its former downtown headquarters. The average sq ft per person in the Port of Portland building when constructed was 429.

The current Port of Tacoma administrative building average square footage per employee in relation to the new building average square footage per employee are compared in Tables 1 through 3 below.

**Table 1: CURRENT Port of Tacoma Admin Workspace/Commission Meeting Spaces**

Building	Year Built	Sq ft
One Sitcum (Port & NWSA admin staff)	1982	42,480
Fabulich Center (Security admin staff & 24/7 Command Center)	1984	9,164
Fabulich Center (Commission meeting spaces)	1984	2,238
<b>Total Square Footage</b>		<b>53,882</b>
<b>Total Personnel with 15% growth factor</b>		<b>168</b>
<b>Average square ft per person</b>		<b>321</b>

**Table 2: NEW Port Business Center Admin Workspace/Commission Meeting Spaces/Lobby**

Building	Year Built	Sq ft
Admin Spaces	2026	51,550
Commission Meeting Spaces	2026	4,800
Building Lobby	2026	3,650
<b>Total Square Footage</b>		<b>60,000</b>
<b>Total Personnel with 15% growth factor</b>		<b>168</b>
<b>Average square ft per person</b>		<b>357</b>

**Table 3: NEW Port Business Center Admin Workspace with Comparable Fabulich Commission Meeting Spaces**

Building	Year Built	Sq ft
Admin spaces	2026	51,550
Commission Meeting Spaces	2026	2,238
Building Lobby	2026	0
<b>Total Square Footage</b>		<b>53,788</b>
<b>Total Personnel with 15% growth factor</b>		<b>168</b>
<b>Average square ft per person</b>		<b>320</b>

Based on the analysis, normalizing for comparable Commission meeting space in the new Port Business Center, the average per square ft per person in the new building is nearly identical to the current footprint (320 versus 321). Despite the average square foot size per person being nearly identical when normalizing the Commission meeting spaces and lobby, the new building will also have services and features not provided in the current admin spaces. This includes ADA compliance, break rooms, additional conference rooms, a mud room for employees returning from field work, and a more suitable IT technology lab (versus employee desks) to maintain and repair vital equipment, just to name a few.

Throughout the programming process, and as envisioned in the Port’s Strategic Plan Organizational Success foundational goal OS-4, the Commission wanted to ensure the new building “provided spaces for enhanced community engagement and mixed-use opportunities.” Commissioners reinforced this idea at the Commission Study Sessions in February 2024 and at the Retreat in early May 2024. The Design-Build Team reflected this goal in the design of the new Commission meeting spaces and lobby, which provide opportunities for enhanced public engagement, hosting Port and NWSA customer events, and other such activities to promote the maritime industry and outreach. In addition, because the Commission Meeting space in the new building was designed with flexibility in mind, it can accommodate a large number of people, making it an ideal space to use as an incident command post in the event of a large-scale emergency response – capacity and functionality that is desperately needed in the South Sound region.

**D. SCOPE OF WORK**

Upon Commission approval of the Port Business Center building, consisting of approximately 60,000 square feet of total occupied space, the previously approved scope of work for design and cost estimating through 60% design will continue.

**E. TIMEFRAME/PROJECT SCHEDULE**

Initial Concept Design	Nov 2023 to Feb 2024
Concept Cost Range	Feb 2024
Schematic Design (30%)	Jan 2024 to March 2024
District Board Approval to 60%	March 14, 2024
Commission Approval to 60%	March 19, 2024
District / POT Lease Agreement Commission Approval	May 21 & 23, 2024
Design Development (30% to 60%)	Apr 2024 to Aug 2024
Commission Approval of Site Cleanup	August 2024
Site Remediation Begins	September 2024
Commission Approval of GMP	October 2024
Site Ground Improvements Begin	December 2024
Maritime Skills Center Construction Begins	December 2024
Port Building Construction Begins	February 2025
Maritime Skills Center Opens	September 2026
Port Business Center Opens	December 2026
Shoreline Improvements Completed	January 2027

**F. FINANCIAL SUMMARY**

**Estimated Cost of Project**

The Project Team estimates the total project cost for the Port, including all stages, at \$80,000,000 to \$110,000,000. The estimate includes eight categories of costs to include: Building, building site improvements, shoreline improvements, environmental remediation, offsite improvements, furniture,

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fixtures and equipment, other owner soft costs, and WA State Sales Tax. The District's portion of the Maritime Center project is estimated to be \$35,000,000 to \$41,000,000 for construction of the Maritime 253 skills center, site improvements and rail crossing safety controls.

**Estimated Cost for This Request:** N/A

**Estimated Sales Tax:** The estimated sales tax to be paid to local and state governments for the entire project is \$10,000,000 to \$13,000,000.

**Source of Funds**

The current Capital Investment Plan (CIP) allocates \$38,415,000 for this project. This initial placeholder was developed in 2019-2020 for the building design and structure only at Parcel 94, and did not include site development, remediation, sales tax, furniture, fixtures, and equipment, etc. The \$38M was first added to the CIP for the 2022 budget cycle, following the 2020 to 2021 Strategic Planning Workshops with commissioners to update the Port's 5-year Strategic Plan. Staff will update the budget to reflect the total investment once the final design has been completed. Since the initial concept study for the new building was completed in 2016, construction costs have increased by a combined total of 97% to present day.

**Financial Impact**

The Port would capitalize and depreciate project costs with estimated useful lives ranging from 10-50 years. The Port would record grant income as non-operating revenue at the time reimbursement is requested.

**G. ECONOMIC INVESTMENT / JOB CREATION**

Maritime|253 will employ approximately 20 full-time staff and serve up to 300 students per session (two per weekday) on site. Maritime|253 will provide career/technical education to junior/senior-level high school students throughout Pierce County at no cost. Students will receive industry recognized credentials preparing them for employment in the maritime and trades industries.

The Port Business Center building would provide workspaces for 168 Port and Northwest Seaport Alliance staff that includes a 15% contingency for growth. The local construction industry will benefit from the construction of the Port Maritime Center and Maritime|253 Skills Center.

**H. ALTERNATIVES ANALYSIS**

- **Alternative 1)** Reduce Commission meeting spaces and lobby by 60%, similar to the current footprint at the Fabulich Center.
- **Alternative 2)** Redesign building size to accommodate Port of Tacoma staff only, with 15% growth contingency for a total planned building staff of 121 versus the currently planned 168 that includes the NWSA Tacoma-based staff (minus the Operations team).
- **Alternative 3)** Cancel new building project, Port of Tacoma and NWSA staff remain at One Sitcum while continuing to support construction and delivery of Maritime 253 project on Parcel 94.
- **Alternative 4) Recommended Alternative:** Continue with project as designed for 168 planned POT and NWSA staff that includes a 15% growth contingency housed in an approximately 60,000 sq. ft. building with Commission Meeting spaces and lobby.

Alternative 1: Reduce Public Area	Alternative 2: Reduce Staff Area	Alternative 3: Cancel Building	Alternative 4: 60,000 Sq Ft Building
<ul style="list-style-type: none"> <li>• Does not support Commission goal of providing enhanced public engagement and mixed-use opportunities (Foundational Goal OS-4).</li> <li>• Severely limits ability to host POT/NWSA customer events or other such events.</li> <li>• POT/NWSA must rent event space, increasing operational costs.</li> <li>• Supports growth of Port of Tacoma and NWSA staff.</li> <li>• Requires reprogramming of building which would delay design, permitting and construction.</li> <li>• Delays lead to increased cost due to construction and material escalation.</li> </ul>	<ul style="list-style-type: none"> <li>• Does not adequately plan for eventual sunsetting of One Sitcum &amp; Fab Center &amp; need to re-locate the 47 NWSA staff.</li> <li>• Impractical, costly to add square footage later to handle 47 NWSA staff, resulting in need to relocate NWSA staff to alternative office.</li> <li>• Supports growth of only Port Tacoma staff.</li> <li>• Requires reprogramming of building which delays design, permitting and construction.</li> <li>• Delays lead to increased cost due to construction &amp; material escalation.</li> <li>• Building would only shrink by 2,000 square feet as employee seating area would be adjusted but not other employee spaces such as break rooms, conference rooms, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Further delay and deferment of a new building makes eventual new build much more expensive as labor and material costs continue to grow exponentially.</li> <li>• Current and expected increase in maintenance costs at One Sitcum and Fabulich Center makes new building deferment imprudent.</li> <li>• Prolonged occupancy at admin offices at One Sitcum and Fabulich Center do not support Port’s Foundational Goals of OS-4, OS-5, OS-6, and EV-4.</li> <li>• Port is still obligated to do remediation &amp; site improvements for District.</li> </ul>	<ul style="list-style-type: none"> <li>• Supports completion of Foundational Goal OS-4: Design and construct a new Port staff workspace that provides spaces for community engagement &amp; mixed-use opportunities.</li> <li>• Recognizes &amp; supports prior recommendations of sunsetting of One Sitcum and Fabulich Center.</li> <li>• Supports growth of Port of Tacoma and NWSA staff.</li> <li>• Recognizes long term planning of a 50-year investment to consolidate staffs and Commission meeting spaces.</li> <li>• Supports target of reducing Scope 2 emissions and complies with ADA standards.</li> <li>• A generational asset that will serve the stewardship of the Port &amp; public for the next 50-75 years.</li> </ul>

Based on an analysis of the four alternatives, **Alternative 4 is the recommended course**. Figures 1 and 2 below present schematics of the Commissioner meeting spaces and lobby to demonstrate the utility and mixed public use opportunities afforded with this design. Please note, total seating capacity are approximate numbers and should not be considered final.

Figure 1. Commission Meeting Space and Lobby

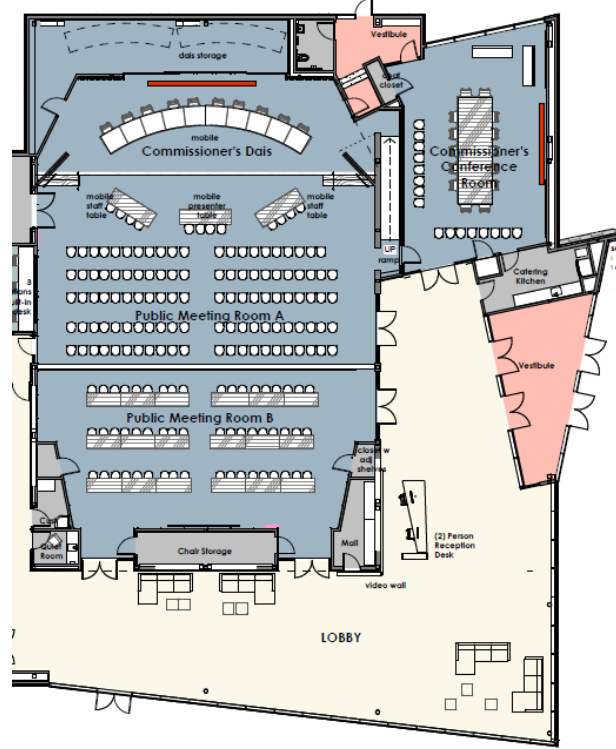
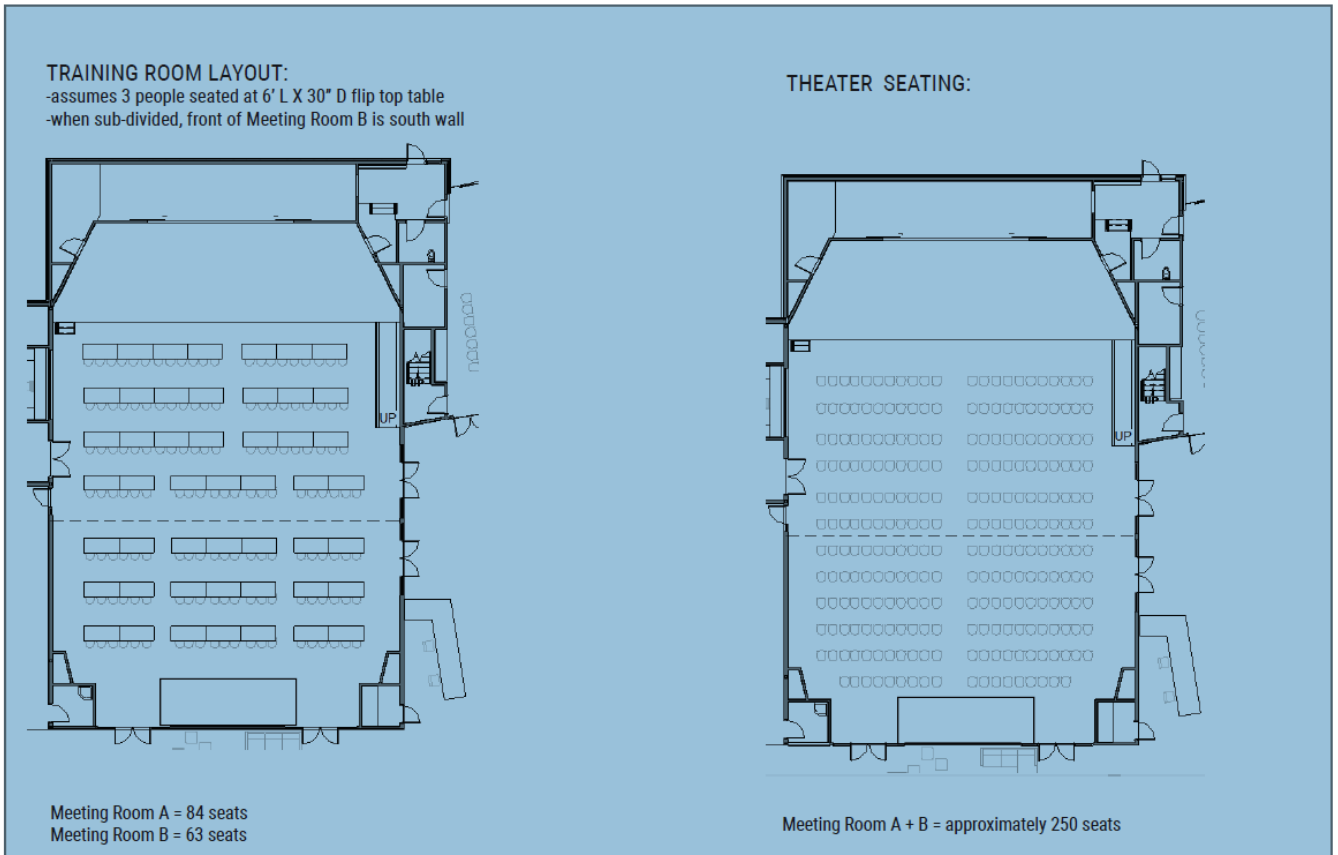


Figure 2. Training and Theater Layouts.





**I. ENVIRONMENTAL IMPACTS/REVIEW**

**Permitting:** Project will require city, state, and federal permits, along with close consultation and coordination with the Puyallup Tribe of Indians.

**Remediation:** 2023 Site Assessment results indicate widespread soil and intermittent groundwater contamination on Parcel 94. Ecology has added Parcel 94 to its list of contaminated sites, along with Parcel 92. The Port completed additional sampling in February 2024 to refine volume estimates of impacted soil. Once the laboratory results are in-hand, staff will assess interim cleanup action alternatives and identify a preferred remedy. The interim cleanup action is scheduled for late summer 2024.

**Stormwater:** The Project Team will design stormwater treatment into the site improvements.

**Air Quality and Sustainability:** The Project Team will evaluate greenhouse gas emissions from the project – design through construction and long-term operations – to ensure alignment with the Port’s goal of achieving net-zero Scope 1 and 2 GHG emissions by 2040. The Team will use evaluation results to guide design, construction, and operation of the building, including choices related to building materials, lighting and HVAC systems, and other features. In addition, compliance with the state Clean Buildings Law will be assessed, ensured, and documented.

**J. PREVIOUS ACTIONS/BRIEFINGS**

DATE	ACTION	AMOUNT
Sept 17, 2021	Executive Authorization: Planning for a New Port Headquarters Building	\$300,000
March 17, 2022	Commission Authorization: Resolution 2022-07-PT to implement 21-26 Strategic plan with initiative to build a new Port Maritime Center	\$0
Feb 22, 2023	Port Maritime Center Development Update: Port Commission Study Session	\$0
March 21, 2023	Commission Authorization for Port of Tacoma and Tacoma School District Interlocal Agreement	\$0
April 26, 2023	Project Authorization for the Port Maritime Center	\$1,500,000
Aug 31, 2023	Commission Authorization Port of Tacoma and Tacoma Public School District ILA#2	\$0
Oct 24, 2023	Port Maritime Center Project Authorization Increase & Commission Authorization for the District as contract administrator, invoicing procedures and NTE amounts for Parametrix via an Amendment to ILA #2	\$2,970,000
Feb 13, 2024	Port Maritime Center Development Update – Port Commission Study Session	\$0
Feb 27, 2024	Port Maritime Center Development Update – Port Commission Study Session	\$0
March 19, 2024	Project Authorization to advance the design from 30% to 60%, BNSF crossing design legal fees, permitting costs, continuation of master planning, retaining a commissioning agent and staff time.  Authorization for the Executive Director to enter into Amendment 2 to the Second ILA between TSD and the Port of Tacoma to continue payment reimbursement process for Phase 2 of the Project through 60% design	\$7,000,000

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May 21, 2024	Authorization for the Executive Director to enter into a Ground Lease ILA with the Tacoma School District for the premises on Parcel 94 for the siting of the Maritime Skills Center  Briefing on the short- and long-term staff occupancy plan for the Port Business Center	\$0
<b>TOTAL</b>		<b>\$11,770,00</b>

**K. NEXT STEPS**

- Continue working with Design-Build team on design process and master planning.
- Continue discussions with BNSF Railway for crossing access.
- Continue environmental analysis and return to Commission for cleanup funding.
- Continue with Design Development (60% Level Engineering).
- Return to Commission for additional authorization to fund final design and construction.