

COMMISSION AGENDA

Item No: 4F

Meeting: 12/19/19

DATE: December 12, 2019
TO: Port Commission
FROM: Eric D. Johnson, Executive Director
SUBJECT: Port of Tacoma Administration Office Space

A. ACTION REQUESTED

Request a motion by the Port of Tacoma Commission, directing the Executive Director to advance one of the three alternatives for future administration office work space.

B. BACKGROUND

Currently, the Port of Tacoma and NWSA executive, commercial/real estate, operations and administrative departments are co-located in the Port of Tacoma Administration Building located at One Sitcum Plaza in Tacoma. This facility was constructed in 1982 and remodeled in 2002.

The authorization by the Managing Members and Homeport of Tacoma of the Management Support Agreement created a long-term need to co-locate the Port of Tacoma administrative staff and NWSA staff in a primary location in the South Harbor (NWSA will also maintain an office presence in the North Harbor).

Overall annual support costs of occupying the current Port Admin Building have been \$1.8 million with the Port of Tacoma retaining approximately \$0.6 million and charging \$1.2 million to the NWSA.

In June 2019, an independent consultant was retained to assess the potential future major maintenance and repairs necessary to prolong the useful life of the Administration building for an estimated 20 years. This report has been used as the basis for reinvestment options for the current Administration building.

Earlier in 2019, Washington Partners, who were selected via a public procurement, provided estimated costs associated with leasing a third-party office space in Tacoma. Staff used this information as the basis for costs associated with relocating to a third party owned location.

C. ALTERNATIVES

Alternative 1: Stay in Port Administration Building Long-term (10 – 20 years)

This alternative requires a significant reinvestment in the Port Administration building to support a long-term use as an office building.

Summary:

- This alternative will require an estimated \$11.6 million capital investment in the next 2 years by the Port of Tacoma.
- An agreement between the Port and NWSA regarding an increase to the support service agreement would be required for the NWSA to participate in the cost of the reinvestment (estimated impact to NWSA is \$0.5 - \$1.0 million annually depending on the estimated life of the repairs.)

Pros:

- Reinvestment in a Port owned asset.
- Does not require staff to relocate.
- Annual operating costs are less than a third-party leasing option.
- Ample parking without cost to the staff.
- Proximity to Port operations.

Cons:

- Up-front capital reinvestment costs of nearly \$12 million.
- Some disruption to staff during maintenance repairs to the building.
- No viable public transit options currently exist for this location.
- Not located close to other amenities such as fitness center, food, or gas.
- Disconnected from City since the closing of the 11th St viaduct.

Alternative 2: Exit Port Administration Building (during 2020) and Lease Third Party office space

This alternative requires staff to identify, negotiate, relocate staff to a non-port owned office building and oversee critical structural repairs to preserve the Port Administration building for potential alternative future uses.

Summary:

- Based on the Administration building evaluation, an estimated \$3.2 million in major maintenance/repairs would be necessary to repair the shoreline slope & seawall, replace the standing seam roof and repair the exterior wall finishes.
- The Port would continue to incur an estimated \$0.9 million in annual support costs to conduct preventative maintenance, security monitoring and potential break/fix items.
- One-time tenant improvement and relocation costs are estimated to be \$2.3 million (*The Port and NWSA would share in this cost. The estimated split would*

be 80% NWSA and 20% POT)

- Annual operating expenses to lease a third-party space are estimated to be 15% higher than the total costs associated with remaining in the current Administration building and making the major maintenance/repairs. (estimate based on historic support costs)

Pros:

- Opportunity to locate staff near city services, public transit and other amenities.
- Less cash required in 2020 for the major maintenance/repairs to the Administration building.

Cons:

- Viable relocation options have limited parking. Assumption is that Port/NWSA would incur increased costs associated with providing parking to staff.
- Port Administration building will still require some additional major maintenance / repairs in 2020.
- Staff will not reside in a Port owned facility.

Alternative 3: Stay in Port Administration Building 3 – 5 Year and invest in a New Port Administration Building

This alternative would require the development of a staged reinvestment plan for the current Port Administration building and Port authorization to develop a new Administration building on Port owned property.

Summary:

- Based on the Administration building evaluation, an estimated \$5.1 million in major maintenance/repairs would be necessary to repair the shoreline slope & seawall, replace the standing seam roof, repair the exterior wall finishes, repair plumbing, restrooms, front door and brick accent pavers, and replace interior finishes such as the carpet.
- Additional major maintenance may be necessary on a break/fix situation. (ex: lighting, HVAC, electrical to work stations)
- Based on an earlier assessment by staff, the cost to build a new Administration building has the potential to reach \$34 million depending on the type, size and overall design. The actual costs would be determined based on Commission input and authorization.

Pros:

- Reinvestment in a Port owned asset.
- Staff will not need to relocate until a future Administration building is constructed.
- Annual operating costs for the existing building (include staged repairs) will be less than a third-party leasing option over the five-year period.
- Ample parking without cost to the staff or the Port.

- Potential continued proximity to Port operations.
- Opportunity to design a new facility with connections to the City of Tacoma

Cons:

- Up-front capital reinvestment costs of \$5.1 million.
- Some disruption to staff during maintenance repairs in the building.
- No viable public transit options until the relocation to a new building.
- Not located close to other amenities until the relocation to a new building.

D. FINANCIAL SUMMARY

There is no direct financial impact as a result of this motion to advance on of the three alternatives. Staff time will be necessary to develop a future project plan associated with the selected alternative. Staff will request Commission authorization prior to engaging in future repairs or leasing a third-party office space.

E. NEXT STEPS

Following Commission action, Port staff will move forward with gathering additional information necessary for a project authorization by Commission in first half of 2020.