

PORT OF TACOMA COMMISSION
BRIEFING ITEM MEMO



Item No: 10C
Meeting: 4/11/23

DATE: April 4, 2023
TO: Port of Tacoma Commission
FROM: Eric D. Johnson, Executive Director
Sponsor: Alisa Praskovich, Chief, Special Projects & Commission Relations
Project Manager: Deirdre Wilson, Senior Planning Manager
SUBJECT: Earley Business Center Master Plan

A. BRIEFING

Port staff will provide an update on the Earley Business Center (EBC) including the Master Planning effort.

No action is requested.

B. SYNOPSIS

The Earley Business Center is a significant Port asset. 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. This project supports all five of the foundational goals in the Port of Tacoma Strategic Plan.

The EBC Master Plan will guide the Port of Tacoma in transitioning away from reacting to immediate business needs for the maritime manufacturing sector and other industrial users and help it become a forward-looking manufacturing hub that can attract more jobs while stimulating additional private investment in the area.

A Master Plan for the EBC will help the Port of Tacoma identify and prioritize site investments necessary to restore the EBC to a world-class marine and industrial manufacturing hub. Given the legacy contamination on site that requires cleanup and the old age of the facilities that require regular repairs, the Port of Tacoma focused its asset strategy on basic investments to protect existing operations and has not been able to make strategic, transformational investments that improve the site. Meanwhile, due to the condition of the facilities, tenants have been less willing to reinvest private money in these leased facilities. A Master Plan will help break this cycle of disinvestment and guide the Port's development to accelerate cleanup of Port property, leverage additional private investments and expansion on-site, and attract new jobs to the area.

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 dredge material from the surrounding waterways and has been used for a variety of industrial activities over the last century. It 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 50 acres of developable upland area and 24 submerged acres available for development of waterfront facilities. Various permanent structures on the site total over 400,000 square feet (SF) 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.

Structures & Infrastructure:

Roughly two-thirds of the existing buildings date to the 1940s or earlier and are well past their useful and economic lives. The Port recently completed the installation of temporary structural repairs in Building 532¹. 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.

The site's waterfront facilities include three piers, a wharf, a large boat ramp, and a shipway that isn't 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 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.

¹ Building 532 is approximately 61,000 SF and is currently leased by two tenants, SAFE Boats and Omega Morgan.

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 uses. 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.

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, as does a recent uptick in maritime manufacturing on site. The EBC has enough physical space to create expansion opportunities for marine or industrial manufacturing tenants; however, current site configuration and conditions, including aging infrastructure, limit the site's attractiveness to current business needs. Current conditions have resulted in the Port leasing available prime industrial waterfront property to some non-water-dependent industrial uses. This has brought in revenue but doesn't help realize the site's legacy of and potential for a maritime manufacturing hub. Uncertainty and lack of planning for future facilities and tenants has led the Port to prioritize flexibility by utilizing short-term leases, even for desirable water dependent tenants.

Maritime manufacturers that were attracted to the EBC and now look to grow their businesses are finding that the space and old facilities are limiting their operations and growth opportunities. Tenants are reluctant to invest private money into facilities given their short-term leases and the Port's uncertainty regarding which facilities it plans to keep as-is, retrofit, or replace.

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. The Master Plan will attract new manufacturers while supporting expansion opportunities for the following water-dependent tenants:

- SAFE Boats International designs and builds vessels for the military, law enforcement, and emergency responders. They are currently ramping up their operations after being awarded a \$90 million contract with the U.S. Navy last year and will create 75 new jobs on-site. They are already looking to expand into emerging sectors such as offshore wind, but their expansion opportunities are limited without redevelopment of the EBC.
- Motive Power Marine is a shipyard specializing in barge maintenance, repair, and modification services. They moved to the EBC in 2017 and have already had to turn down military and commercial business because of their limited space. They are a desirable tenant that provides much needed services that directly support the Port's cargo operations, have a strong commitment to job creation, are developing an apprenticeship program, and their sustainable operations make them one of only four Green Marine certified shipyards in the U.S.

- Silverback Marine moved into the EBC in 2021 with help from Washington Maritime Blue Innovation Accelerator, bringing roughly ten new jobs to the area. Aging facilities limit their operations, and Silverback has basic requirements that must be met to grow their business, such as heavy-duty floors, overhead cranes, and a boat launch.

D. MASTER PLAN OVERVIEW

The Master Plan is intended to provide a long-term vision for the EBC, based on current site constraints and future opportunities. It is anticipated that the Plan will be ready for Commission consideration in Q4 2023. EHDD has been contracted to support plan development, including the market analysis and future site layouts.

Below is a preliminary outline for Earley Business Center Master Plan document:

Earley Business Center Master Plan – Preliminary OUTLINE	
Chapter	Brief Description
Introduction	Explain the intent and purpose of the Plan, with reference to the Strategic Plan Foundational Goals. Include a letter from ED or a Commissioner.
Background	Explain uses over time, historic significance, economic impact. Explore strengths, weakness, opportunities, and risks at a macro level, as seen by commissioners, staff, and consultants.
Vision	An iconic Port of Tacoma property advancing industrial placemaking, green jobs, and heritage. The Vision aligns with goals in the Port of Tacoma Strategic Plan, the port’s Workforce Development Plan, and the Port’s role in the NW Ports Clean Air Strategy.
Current Business	Information about leases today (water-dependent vs non-water dependent), revenue generated at site, job numbers, etc. Aggregate information about facility needs.
Existing site conditions	Transportation (road, rail, water access), buildings (size and age), utilities equipment, etc.), historical contamination, nearby properties for potential expansion; applicable rules and regulations- zoning, etc.
Industry Outlook and Market Analysis	Marine manufacturing and industry outlook. Review of existing economic development plans and market studies for the Tideflats and the region. Identify potential uses that align with the economic goals stated in the Port of Tacoma Strategic Plan.
Conceptual Future Site Plans	Using a horizon year of 2050, high level consideration for buildings and utilities, baseline site constraints, water access, and coordination with nearby and adjacent properties.
Outreach	Information from interviews with internal and external stakeholders – understanding there are current tenants the port wishes to retain.
Implementation	Phasing- early out projects, mid-term, long-term, funding strategies- grants, special loans, private investment, and strategic partnerships.

The Master Plan will explore ways to address Port Strategic Plan Foundational Goals:

Economic Vitality - Advance living-wage job creation and business development opportunities in Pierce County with a focus on marine trade and transportation.

EBC Opportunity:

- Maintain and create new living wage jobs in the trades and other professional skilled positions.
- Diversify port activity.
- Support water dependent sectors like ship building and repair in support of defense, public safety, offshore wind, fishing, and research.
- Potential for high job density per acre and big economic multiplier for job creation in the region.
- Advance workforce development initiatives.

Environmental Leadership - Protect and enhance the environment of Commencement Bay and the Puyallup River by continuing to clean up contaminated land, improve habitat and water quality, and minimize air emissions from Port operations.

EBC Opportunity:

- Cleanup historic contamination from shipyard activities.
- Coordinate with and potentially influence cleanup of nearby properties.
- Support green manufacturing and help Port tenants advance the Northwest Ports Clean Air Strategy
- Redevelop shoreline with habitat-friendly solutions.
- Continue to support tenant compliance with water quality permitting requirements.
- Be a leader in green jobs/manufacturing.

Transportation Advocacy – Promote, road, rail, and navigation infrastructure and technology improvements to strengthen the regional maritime industry and economy.

EBC Opportunity:

- Activate the waterfront to connect manufacturers to Commencement Bay.
- Leverage use of Taylor Way as a Heavy Haul Corridor in support of manufacturing.
- Explore rail opportunities and needs for marine manufacturing.

Community Connections - Engage and advance relationships with the Pierce County community and beyond in a timely, accessible, and inclusive way.

EBC Opportunity:

- Honor the historic significance of the site and re-establish Tacoma as a leader in water related industries.
- Support broader regional economic and environmental goals of partner agencies, business groups, and community-based organizations.
- Maintain industrial use of the Blair-Hylebos Peninsula with nearby neighborhood concerns in mind.

Organizational Success - Create and sustain a transparent culture prioritizing the Port's fiduciary role as trustee of public assets and commitment to financial responsibility.

EBC Opportunity:

- Reinvest in the EBC to protect its long-term success as an economic engine for the community.
- Support the work of our tenants to attract and retain a high-performing workforce.
- Promote Port of Tacoma values of equity, inclusion, health, and safety in maritime manufacturing.
- Create value in our community.

E. REMEDIATION

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. 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 2023 to amend the Agreed Order and for additional project authorization to complete the supplemental scope of work.

F. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
October 21, 2022	Executive Authorization – EHDD Consultant support for EBC Master Plan	\$275,000

G. ATTACHMENTS TO THIS REQUEST

- Slide presentation

H. NEXT STEP

Brief Commission on Master Planning effort mid-2023, and then provide Draft and Final Master Plan for consideration Q4 2023.

Request Commission approval to amend the Agreed Order and for additional project authorization Q3 2023.