

PROJECT ACTION MEMO

Port of Tacoma Commission



Item No: 6D
Meeting Date: 11/19/24

DATE: November 12, 2024
TO: Port of Tacoma Commission
FROM: Eric Johnson, Executive Director
Sponsor: Alisa Praskovich, Chief, Strategic Projects and Commission Relations
Project Manager(s): Stanley Ryter, PE Sr. Project Manager, Engineering,
Rob Healy Sr. Manager Environmental
SUBJECT: Port of Tacoma Maritime Center Authorization Increase for Construction of Business Center & Site Development

A. ACTIONS REQUESTED

Request project authorization in the amount of \$125,000,000 for a total authorized amount of \$149,770,000, for work associated with the Port of Tacoma Maritime Center, Project Number 101549.01.

Request authorization for the Executive Director or his delegate to accept the \$2.5M Washington Department of Commerce Community Decarbonization Grant.

Request authorization for the Executive Director or his delegate to accept the \$100k Ecology "Charge Where You Are" grant.

Strategic Plan Initiatives: EV-2, EV-4, OS-4

B. SYNOPSIS

The Maritime Center project has reached the point of a request for construction authorization. The project team has completed the design development phase. The design has progressed to the point when the design build team is able to offer a guaranteed maximum price (GMP) to the Port to build the maritime center parking lots, shoreline improvements, the Port Business Center building and associated off-site improvements. The design build team has also offered a guaranteed maximum price to the Tacoma School District to build the Maritime 253 Skills Center. Port staff have developed the cost structure to cover permitting, construction administration, railroad construction and upgrades, building technology costs, as well as furniture, fixtures and equipment for the Port Business Center.

C. BACKGROUND

Since 2021, the Port has led several strategic initiatives to support the development of a new Port Maritime Center and Maritime Skills Center in partnership with the Tacoma School District. This effort began with Commission authorization of a resolution to build a new Port Maritime Center in 2022. Since then, the project has included multiple Commission briefings, significant community engagement and stakeholder outreach, and execution of two interlocal agreements with the Tacoma School District (District) to govern the planning and development of the project through initial design development, schematic design, and cost estimating.

The Port Commission first provided project authorization in April 2023 to complete environmental site assessments and cultural resource monitoring on Port Parcels 94 and 92. This work was completed by the end of 2023, with the support of a \$300K Ecology integrated planning grant. The work led to the selection of Parcel 94 as the future building location. The 2023 Site Assessment results indicated widespread soil and intermittent groundwater contamination on Parcel 94. The Commission authorized the remediation construction project in August 2024, and work started in October with a completion date scheduled for the end of 2024.

Preliminary design started in November of 2023, after a robust selection process of the design-build team – BNBuilders/TCF architecture. In March of 2024, the project reached 30% design, and the Commission authorized the design to proceed through to design development. In June 2024, Commission authorized and approved to design approximately 60,000 square feet of occupied space for the Port Business Center which included administrative offices, Commission meeting spaces and lobby. Since June 2024, the project has progressed past 60% design to where the design-builder has negotiated with the Port a guaranteed maximum price contract (GMP). The contract obligates the design builder to build the scope of the project for a not to exceed price. That scope includes construction of the site, shoreline improvements, and Port Business Center building in which allowances and contingencies are held. Use of contingent funds must be agreed to and signed off by the Port. For this particular contract amendment, the contingent funds are approximately 10% of the contract.

In addition to the scope of the design build construction contract, there are other elements of the project paid for directly by the Port. These items include a contract with BNSF to rebuild and realign the track (approx. 1,300 ft.) and add a signalized crossing, a contract with One Workplace to procure and install furniture, technology work procured and installed by Port Information Technology and construction administration including staff time.

D. PROJECT DETAILS

Scope of Project

The scope of work will include:

- Design and construction of a Port Maritime Center, including a new Port administration building and the District’s Maritime |253 building, with associated on-site and off-site improvements and environmental remediation.

Scope of Work for This Request:

- Final Design to Detailed Construction Documents
- Construction by Design/Builder
 - Port Business Center Building.
 - Site Development – includes parking, utilities, landscaping and promenade and railroad upgrades.
 - Off Site Improvements to E. 11th Place
 - Shoreline Improvements – water access
- Railroad upgrades and realignment by BNSF (paid by Port with contribution from District)
 - Rebuild and realign existing track
 - Construct signalization of crossing
- Port Responsibility
 - Technology for Port Business Center
 - Additional Permitting Fees for Building and Site Development
 - Utility Fees
 - Furniture Fixtures and Equipment
 - Construction Administration / Staff Time
- The construction of the dock and construction of a nature area east of the school on the Boot portion of the property are not included in this request.

Schedule:

Initial Concept Design (complete)	Nov 2023 to Feb 2024
Concept Cost Range (complete)	February 2024
Schematic Design (30%) (complete)	Jan 2024 to Mar 2024
District Board Approval to 60% (complete)	Mar 14, 2024
Commission Approval to 60% (complete)	Mar 19, 2024
District/POT Lease Agreement Approved (complete)	April 26, 2024
Design Development (30% to 60%) (complete)	Apr 2024 to Aug 2024
Commission Approval of ~60,000 sq ft port bldg. design	June 2024
Commission Approval of Site Cleanup (complete)	Aug 20, 2024
District Board Approval of GMP for Skills Center	November 2024
Commission Approval of GMP for Port Bldg. and site	November 2024
Construction Docs	Aug 2024 to Nov 2024
Construction Cost Estimate	Sep 2024 to Nov 2024

Environmental Cleanup (In Progress)	Oct 2024 to Dec 2024
Groundbreaking Ceremony	January 2025
Ground Improvements	Jan 2025 to Feb 2025
Port Business Center Construction	Mar 2025 to Dec 2026
Maritime Skills Center Construction	Mar 2025 to July 2026

E. GRANT DETAILS

Since the inception of this project, staff have been actively engaged in researching and pursuing various grants to support this project. The 2023 environmental assessment work conducted on Port Parcels 92 and 94, originally siting the school district's skills center, was partially funded by the Department of Ecology through a \$300,000 Integrated Planning grant. We are currently leveraging EPA's Brownfield Site Assessment grant to conduct cleanup alternative analyses for Parcel 132 and 92, and we have applied for Ecology's Remedial Action grant. In addition to cleanup grants, staff have applied for other opportunities, including WSDOT's Freight Rail Assistance Program (\$400K), Commerce's Community Decarbonization Program, and Ecology's Charge Where You Are Program. To date, the Port has applied for approximately \$6.5M in grants. The Port recently received notification of award for its Community Decarbonization and Charge Where You Are applications.

The Community Decarbonization grant is for \$2,479,345 to construct a large-scale photovoltaic power generation system and (2) lithium-ion battery energy storage containers. The photovoltaic system is comprised of a 350 kW, 100 kW, and 40 kW set of arrays all interconnected into different utility services on the site. The 350-kW system is interconnected with the 1000 kWh battery energy storage system to provide grid resiliency and future demand response capabilities to the local utility. The battery energy storage system is sized and sequenced to prioritize the battery energy storage system ahead of the diesel-powered generator, in a means of reducing carbon emissions when the site experiences shorter duration utility outages. This system is also eligible for IRA tax credits of approximately \$500,000.

The Charge Where You Are grant is for \$100,000 which includes the purchase and installation of up to 10, 240-volt Level 2 charging stations. The charging stations are reimbursed up to \$10,000 per charger or at 60% of the project's total cost.

With the addition of these two grants, the Port has now been awarded approximately \$3M, with another \$2.5M still pending, including \$2M for EPA's 2025 Brownfield Cleanup grant on Parcel 132. Staff continues to research other funding opportunities, including for a future Maritime Center dock, public EV chargers, stormwater infrastructure upgrades, and additional future cleanup efforts. Staff will aggressively pursue other grant funding opportunities, both for this phase and all future phases of work to include the Boot area.

F. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost to the Port to design and construct the site and Port Business Center building is \$149,770,000.

The District's project cost to design and construct the Maritime Skill's Center building is \$40,000,000. The District will reimburse the Port \$5.5M for a portion of site development and BNSF rail crossing costs.

Estimated Cost for This Request

The total estimated cost of the construction and site and building for this project is \$125,000,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

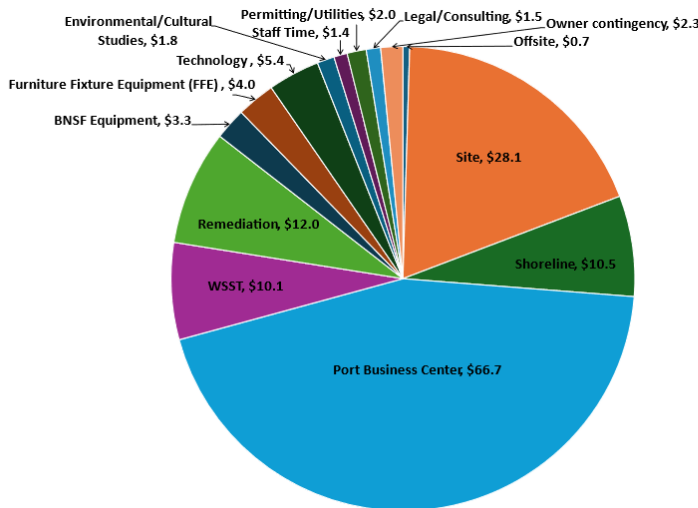
Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for the construction of the site and port business center building is \$10,000,000.

Cost Details

Item	This Request	Total Previous Requests	Total Request	Total Project Cost	Cost to Date	Remaining Cost
DUE DILIGENCE	\$0	\$1.8M	\$ 1.8M	\$1.8M	\$1.8M	\$ 0
DESIGN & DEMO	\$2.0M	\$10.97M	\$12.97M	\$12.97M	\$6.4M	\$6.57
INTERIM CLEANUP ACTION	\$0	\$12M	\$12.0M	\$12.0M	\$3M	\$9.0M
SITE AND BUILDING CONSTRUCTION	\$ 123M	\$ 0	\$ 123M	\$123M	\$ 0	\$123M
TOTAL	\$125M	\$24.77M	\$149.77M	\$149.77M	\$11.2M	\$ 138.57M

Cost Summary – By Cost Category

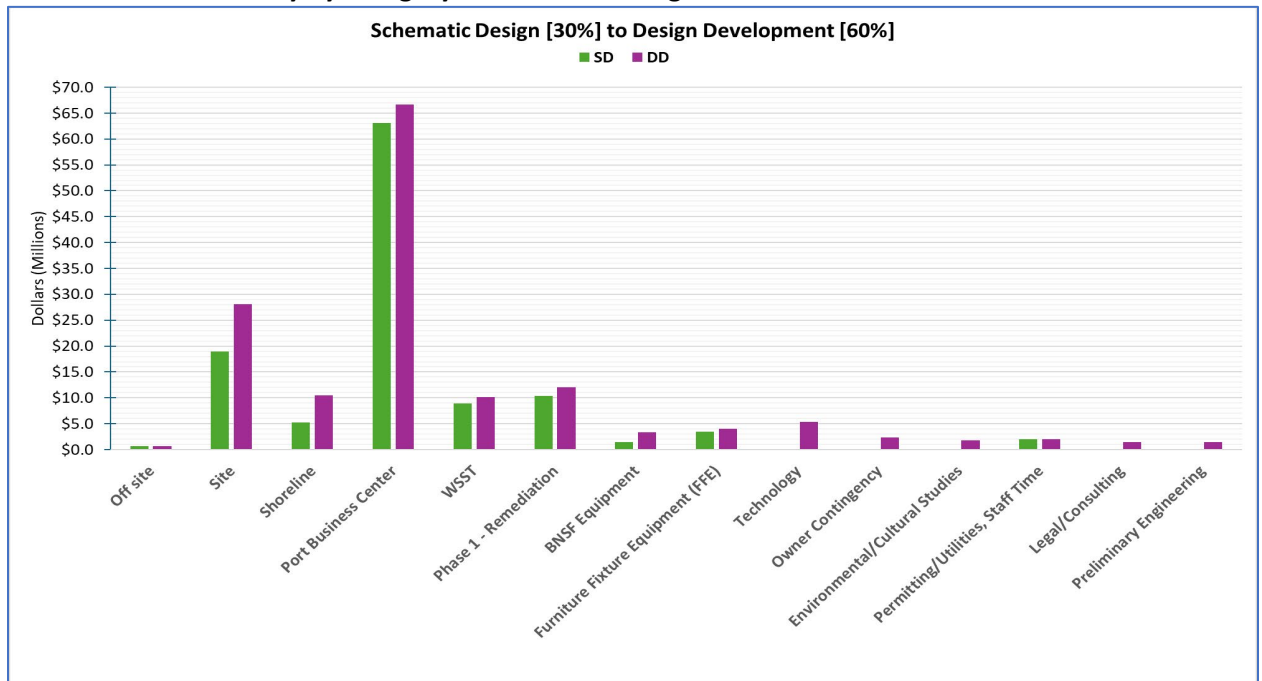


Color	Cost Bucket
44%	Port Business Center
19%	Site Development
8%	Remediation
7%	Shoreline Development
7%	WSST

Total = \$149.77M

28

Cost Increases Summary by Category: 30% to 60% Design



Source of Funds

The current 2024 - 2029 Capital Investment Plan (CIP) allocates \$150,000,000 for this project.

Financial Impact

The costs associated with the project will be capitalized and subject to depreciation with anticipated useful life ranging from 10 to 50 years, except for the \$12,000,000 related to remediation work at Parcel 94, which will be recorded as an expense when incurred. Grant income will be recorded 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 Maritime Center building is expected to provide workspaces for 155 Port and Northwest Seaport Alliance staff.

The local construction industry will benefit from the construction of the Port Maritime Center and Maritime|253 Skills Center.

H. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) This request. Construct the project as outlined above in Section D Scope of Work for This Request.

Alternative 2) Off-ramp – project is not funded. Remediation continues with some additional remediation and site capping needed. The lease with the District could be terminated under specific provisions of the Ground lease Interlocal Agreement and subsequently, the Maritime 253 Skills Center would not be constructed.

Alternative 3) Partial off-ramp. Remediation work continues with some additional remediation and site capping needed. Construct the improvements required to support the District's Maritime 253 Skills Center, including: private rail crossing, half the parking lot, the full stormwater system, all the shoreline improvements, the promenade and off-site improvements [required per COT permit] which would allow the Maritime 253 center building construction continue. Per the lease, this would require the Port to provide construction administration and design support. The cost contribution for the District would not cover the cost of the improvements. The costs for this alternative are estimated at \$68M.

Alternative 1 is the recommendation of Port staff.

I. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: A SEPA DNS was issued for the interim cleanup and demo work on March 13, 2024, and for the site development on June 27, 2024. All permits for the cleanup and demo have been received and work has commenced. The City of Tacoma (City) cleanup permits are being revised to include ground improvements for work to begin approximately January 2025. All upland site development permits are anticipated by March 2025 with all in-water site development permits anticipated by late 2025.

Remediation: Remediation is currently in construction and the work is being done under the authorization of August 20, 2024. This work is scheduled to be completed by the end of December. Additional cleanup will be conducted in the next phase of work, associated with the realignment of the railroad. Future work will include additional cleanup of adjacent Port Parcels 132 and 92, as well as cost recovery, grant pursuit and management. This future cleanup work is not included in the current project request.

Stormwater: Stormwater best management practices have been designed to meet site development requirements per the Port’s stormwater permit and City code. Staff are researching potential stormwater grant funding opportunities that could fund stormwater improvements that are above and beyond current requirements.

Air Quality & Sustainability: The Port Business Center building is designed to achieve LEED Silver certification standards. This includes goals for high energy efficiency, water conservation, and sustainable material use for the project that will contribute to the Port’s overall environmental sustainability initiatives.

J. PREVIOUS ACTIONS OR BRIEFINGS

Date	Action	Amount
September 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
February 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
August 31, 2023	Commission Authorization Port of Tacoma and Tacoma Public School District ILA#2	\$0
October 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
February 13, 2024	Port Maritime Center Development Update – Port Commission Study Session	\$0

February 27, 2024	Port Maritime Center Development Update – Port Commission Study Session	\$0
March 19, 2024	Port Maritime Center Project Authorization Increase and ILA Amendment	\$7,000,000
June 18, 2024	Port Maritime Center Bldg. Square Footage Approval	\$0
August 20, 2024	Port Maritime Center Project Authorization Increase for Remediation and Additional Design	\$13,000,000
TOTAL		\$24,770,00

K. NEXT STEPS

- Finish site remediation currently in construction.
- Finalize the Joint Use Agreement with the District
- Continue working with the BNSF to finalize the at-grade crossing design and develop a new easement agreement.
- Continue working with the design build team to finalize the design drawings in preparation for construction. Obtain all city, state, and federal permits necessary to begin site and building construction.
- Construct the improvements in the scope of work.
- Continued consultation and coordination with Puyallup Tribe of Indians.
- Continued employee and public engagement activities.
- Continued master planning.
- Continued clean-up cost recovery activities and planning for future cleanup actions on adjacent Port properties.
- Continued pursuit of grants.