

PROJECT ACTION MEMO

Port of Tacoma Commission



Item No: 6B
Meeting Date: 12/17/24

DATE: December 9, 2024
TO: Port of Tacoma Commission
FROM: Eric Johnson, Executive Director
Sponsor: Debbie Shepack, Sr. Director Real Estate
Project Manager: Elly Bulega, Engineering Project Manager
SUBJECT: EBC Temporary Tenant Relocation

A. ACTION REQUESTED

Request project authorization in the amount \$2,874,000 for a total authorized amount of \$3,224,000, for full design and material procurement, for work associated with the EBC Temporary Tenant Relocation, Project ID #101686.01.

Strategic Plan Initiative: EV-2, Invest in assets that support living-wage job creation throughout pierce county.

B. SYNOPSIS

Most of the buildings at the Earley Business Center (EBC) are nearing the end of their economic useful life and need to be replaced. This includes buildings 407 and 532, currently being leased by boat manufacturers. Building 407 is currently leased by Silverback Marine (Silverback) and Motive Power Marine (Motive) and is scheduled for demolition in the first quarter of 2026. Building 532, is leased by Safe Boat, and is expected to be demolished after the current tenant is relocated and ideally within the next four years. Consistent with Commission direction during EBC master planning and scenario analysis in 2023, the Port is vested and committed to supporting and keeping EBC as a ship maintenance and manufacturing hub and is developing a plan that could accommodate all three tenant's immediate and future manufacturing space needs, subject to Commission approval. Silverback and Motive need to be relocated before building 407 is demolished.

Silverback's lease expires in December 2025, thus allowing the Port time to work on the design and construction of a temporary pre-engineered metal building that would serve Silverback's operational needs while the Port plans a comprehensive long-term redevelopment of EBC. If authorized by the Commission, the Port could complete the new prefabricated metal building in the first quarter of 2026, providing Silverback with a functional interim solution. See *Figure 1* for proposed location of temporary building.

The lease with Motive expires May 2026, and with the proposed demolition of building 407, the Port has a lease obligation to provide Motive with a replacement office space and provide power for their yard equipment. As part of this, the Port plans to install new infrastructure to supply power and provide temporary office and restroom facilities for Motive to use during the demolition of building 407 and redevelopment of EBC. Motive received a Department of Transportation Maritime Administration (MARAD) grant in May 2024 to upgrade their power capacity in the yard. Power upgrades are not part of the Port's lease obligation. To maximize efficiency and reduce costs, Motive and the Port propose that Motive's power upgrades are installed concurrently with the Port's infrastructure work. By overlapping the projects, both the Port and Motive can achieve cost savings while ensuring the timely completion of necessary upgrades.

C. BACKGROUND

There are three ship manufacturing companies that currently lease space at EBC:

- (1) Motive - a ship maintenance company that cleans, restores, inspects and repairs vessels for both private and public agencies.
- (2) Silverback - a small aluminum watercraft manufacturer, which fabricates boats for the Coast Guard, and others in the industry looking for custom small, sized aluminum boats.
- (3) Safe Boat - a small and large boats building company manufacturing military, law enforcement and first responder boats.

Safe Boat is currently occupying building 532, which is scheduled for demolition within five years, while Motive and Silverback occupy building 407, scheduled for demolition in the first quarter, 2026.

A condition assessment report from April 2024 concluded that building 407 is at the end of its useful economic life. Recently, repairs and retrofits have been made to repair some known concerns with the building. Since World War II, EBC has been used to manufacture ships, including the Pacific Naval Fleet, and the Port is committed to the continued growth and support of this work at EBC. The Port would like to retain all the ship / marine manufacturing businesses currently at the EBC, thus continuing the legacy of boat building and manufacturing at the EBC. The Port is currently working with all three companies to develop a proposal for a significant expansion of new manufacturing spaces that will support all three companies' growth. In 2025 and 2026, the focus is to temporarily relocate both Silverback and Motive somewhere at EBC as permanent manufacturing facilities and office space are developed, subject to Commission approval.

Relocation of Motive

Motive's lease is not set to expire until May 2026. The Port has a lease obligation to provide Motive alternative office space and power for their yard equipment because of the scheduled demolition of Building 407. As part of this obligation, the Port plans on installing new infrastructure to supply power and provide temporary office and restroom facilities for Motive to use during the demolition of building 407. Motive would occupy the temporary facilities until a permanent solution is provided by the Port. If approved by Commissioners, and a new marine manufacturing facility gets built, Motive would relocate their offices to this new facility.

In March 2024, MARAD awarded Motive with a \$262,000 grant to upgrade power for their equipment. Power upgrades are not part of the Port's lease obligation, and these costs are Motive's responsibility. To maximize efficiency and reduce costs, Motive and the Port propose that their power upgrades be installed concurrently with the Port's infrastructure work. By overlapping the projects, both the Port and Motive can achieve cost savings while ensuring the timely completion of necessary upgrades.

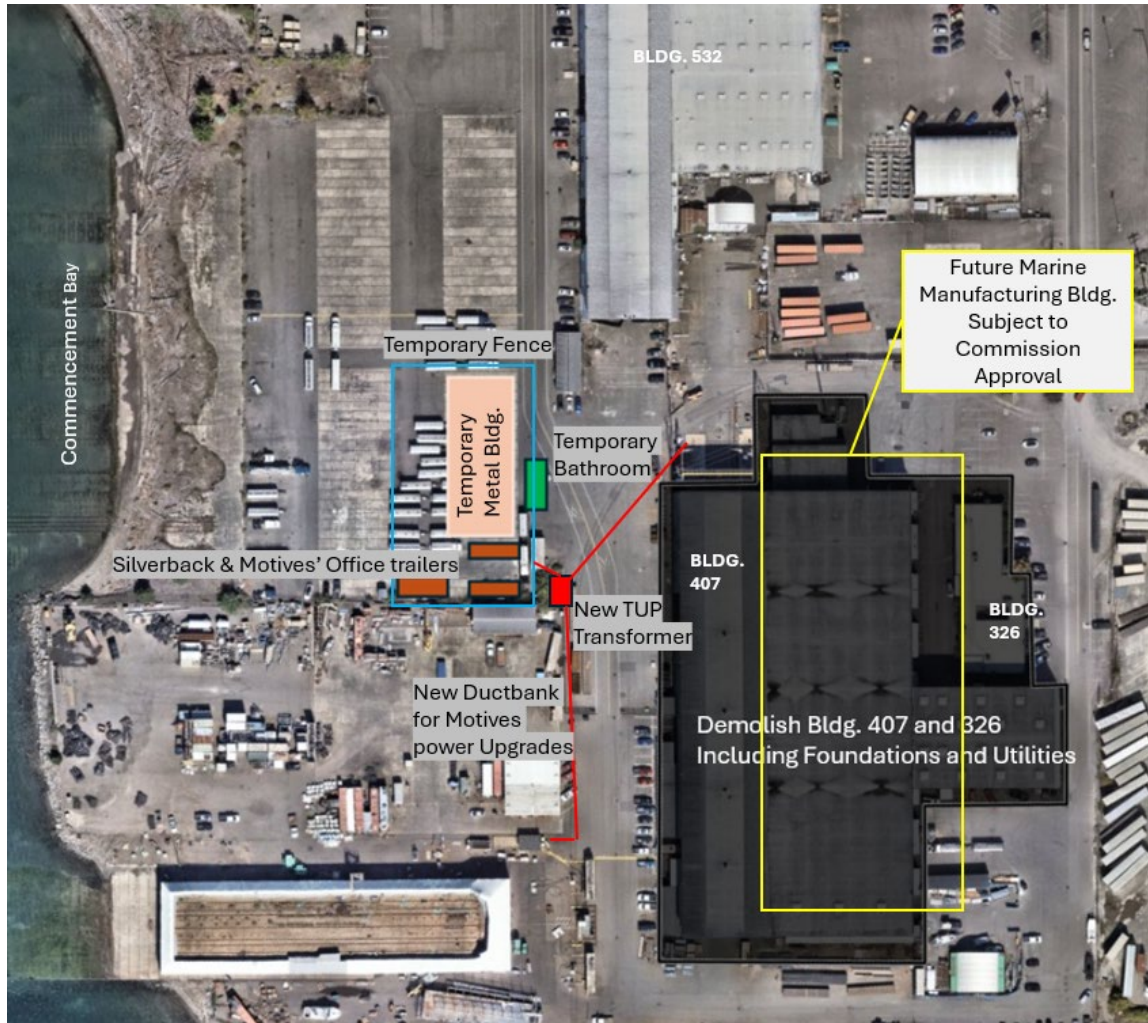


Figure 1: Proposed Temporary Location of Tenants at EBC

Relocation of Silverback

Silverback's lease at building 407 expired this year and was extended to December 2025, allowing the Port and Silverback more time to find a permanent solution for Silverback's space requirements. In the short term, Silverback needs temporary office space, restrooms and 12,000-SF of warehouse space for its upcoming Coast Guard boat manufacturing contracts. Within the next ten years, Silverback expects their space needs to grow to 30,000-SF. Real estate staff is working with Silverback on terms of a new lease agreement that would result in a fair return (rent) of the Port's potential investment of a temporary warehouse space.

The Port is considering constructing a 12,000-SF temporary prefabricated metal building, which would serve as Silverback's manufacturing space for the next four to six years while a new marine manufacturing facility is built. Silverback would relocate to the new facility upon its completion. Upon completion of the new marine manufacturing building, the temporary prefabricated metal building will revert to the Port and may be relocated to a different place at EBC and repurposed as a storage facility.

D. PROJECT DETAILS

To meet the tight project schedule and ensure that the Port has a usable building for Silverback within the allocated time, staff have chosen to move forward with a prefabricated metal building rather than less expensive alternatives like tents. While the metal buildings cost slightly more, it offers key advantages in terms of shorter lead time and faster installation, making it the best option to meet project deadlines.

Given the one-year timeline for design, permitting and installation, the decision to use a prefabricated metal building is based on several the factors:

- (1) Shorter Lead Time and Faster Installation - The steel for the metal building is readily available, offering faster fabrication and erection compared to tents, which gives the project team a better chance of completing the facility on schedule.
- (2) Suitability for Long Term Use - Unlike tents, which are not great for long term durability, the metal building can be used for Silverback's immediate needs and offer flexibility for future uses.

Electrical and Plumbing Design - One of the constraints of the project schedule is the need for time to finalize the electrical and plumbing designs for the prefabricated metal building. Staff is splitting the project into two bid packages. One bid package for Motive's work and the other for Silverback's work. In Silverback's bid package, the design and erection of the metal building will be awarded at bid opening, but the electrical and plumbing will be an additive alternate. This will allow staff to finalize the electrical and plumbing design details and get additional construction authorization from Commission.

Splitting Motive and Silverback's scope of work aligns with Motive's timeline better. Isolating Motives' scope in a separate bid package, allows Motive to complete its work by summer 2025, aligning with their grant requirements.

For this request, staff is asking for funds to complete design and procure the required materials for erecting the prefabricated metal building. Once the electrical and plumbing design is finalized, and the cost for installing the electrical, plumbing and restrooms is more defined, staff will return to Commission and ask for the plumbing and electrical installation authorization, before awarding this portion of the work.

Scope of Project for this request:

- Drawings and specifications for public contracting for Silverback's temporary metal prefabricated building. The metal building will be installed on an existing reinforced concrete slab. No new foundation installation is anticipated for the project.

- Drawings and specifications for public contracting for a new power service for Motive which includes a new transformer.
- Installation of a new power service for both Motive and Silverback. Silverback’s metal building will run off the same electrical service. All components of the electrical infrastructure will be integrated into the permanent redevelopment of EBC except for the transformer. In the future, the transformer will be removed and returned to Tacoma Power, and the system will be connected to EBC’s future permanent substation.
- Provide temporary modular office building for Motive.
- Install extra future conduits, communication, and electrical vaults for future use as needed. Installing extra infrastructure now minimizes the need for electrical excavation in the future.

Scope of Work for future request):

- Provide temporary modular office buildings and restroom for Silverback
- Installation of electrical and plumbing to the metal building.

Motive Schedule:

Advertise for Bid	March 2025
Open Bids	April 2025
Notice of Award	April 2025
Substantial Completion	July 2025
Final Completion	August 2025

Silverback Schedule:

Advertise for Bid	January 2025
Open Bids	February 2025
Notice of Award	February 2025
Substantial Completion	February 2026
Final Completion	March 2026

E. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost including all stages to relocate Motive is estimated at \$1,754,000.
 The total project cost including all stages to relocate Silverback is estimated at \$4,398,000.
 The total project cost including all stages to relocate both Motive and Silverback is estimated at \$6,152,000.

Motive’s current lease with the Port provides \$33,990.91 monthly rent plus leasehold excise tax and will continue until May 31, 2026. At expiration of the lease, Real Estate Staff anticipates negotiating a new lease with Motive at the then current market rate.

The rent for the new temporary pre-engineered metal building to relocate Silverback is currently being negotiated between the Port’s real estate staff and Silverback and will take into consideration the total costs of the temporary building, an expected fair rate of return on the Port’s investment, and the current market rents for buildings of similar construction and design. Silverback is currently on a month-to-month lease with the Port and pays \$5,573.06 monthly rent plus leasehold excise tax.

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$134,000 if the Port only accommodates Motive, and \$508,000 if the Port accommodates both Motive and Silverback.

Cost Details

Design and Silverback’s Metal Building Erection Budget (This request)					
Item	This Request	Total Previous Requests	Total Requested Amount	Cost to Date	Remaining Cost
Motive & Silverback Design	\$120,000	\$350,000	\$470,000	\$196,527	\$273,473
Motive Construction	\$1,575,000	\$0	\$1,575,000	\$0	\$1,575,000
Silverback Construction	\$1,179,000	\$0	\$1,179,000	\$0	\$1,179,000
TOTAL	\$2,874,000	\$350,000	\$3,224,000	\$196,527	\$3,027,473

Overall Tenant Relocation Project Budget						
Item	This Request	Total Previous Requests	Future Request	Total Budget	Cost to Date	Remaining Cost
Design	\$120,000	\$350,000	\$0	\$470,000	\$196,527	\$273,473
Construction	\$2,754,000	\$0	\$2,928,000	\$5,682,000	\$0	\$5,682,000
TOTAL	\$2,874,000	\$350,000	\$2,928,000	\$6,152,000	\$196,527	\$5,955,473

Source of Funds

The 2025-2029 Capital Investment Plan (CIP) currently allocates \$4,000,000 for both the design and construction phase. This budget will be revised as necessary to accommodate changes in the scope of work and to reflect more accurate cost estimates as the design phase of the project advances.

Financial Impact

Project costs for the metal building and power service will be capitalized. The metal building will be capitalized with a 30-year life, and the power service will be capitalized with a 20-year life. The estimated total annual depreciation for both assets will be \$206,000 for the first 20 years and \$135,000 for the remaining 10 years for the Power Service. There will be no depreciation expenses in 2024. Costs to lease the modular buildings will be expensed as incurred.

F. ECONOMIC INVESTMENT/JOB CREATION

Motive has made significant investments in expanding their yard and operations, positioning themselves to handle more business and operate more efficiently. Meanwhile, Silverback is pursuing Coast Guard contracts to build vessels over the next 5-10 years and will require a decent size and equipped facility to meet the demands of these long-term contracts. To succeed, Silverback will need space that can support their growing production capacity.

G. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Staff considered a few other alternatives for Silverback and none of them met their timeline or required square footage.

1. Relocating Silverback to a different warehouse at the Port: The Port currently does not have a 12,000-SF building that they can lease out to Silverback for the next four to five years.
2. Building a new temporary building at a different location. It would cost more and would take a longer time to design, build and move Silverback into a new building at a different site at the Port.

Alternative 1) Accommodate Motive and allow Silverback's lease to expire on its own terms once their lease ends next year and do not provide a new metal building for their use.

Alternative 2) Accommodate and support both Motive and Silverback.

Alternative 2 is the recommended course.

H. ENVIRONMENTAL IMPACTS/REVIEW

Permitting:

All required permits will be obtained before contracts are awarded.

Remediation:

Remediation is not required, however, intrusive activities (e.g. trenching and installation of vaults) will be considerate of the on-going remedial investigation at the EBC property. Redevelopment actions cannot preclude future cleanup actions.

Stormwater:

Not applicable at this phase of the EBC redevelopment. Stormwater improvements will be made at EBC during the construction of the new marine manufacturing facility, if Commission approves its construction.

Air Quality:

Air improvements will be made with Motive's project. Motive is upgrading power for their yard to reduce their gas-powered generator use.

I. **PREVIOUS ACTIONS OR BRIEFINGS**

Date	Action	Amount
July 11, 2024	Executive Authorization for design	\$50,000
August 29, 2024	Executive Authorization for design	\$200,000
November 21, 2024	Executive Authorization for design	\$100,000
TOTAL		\$350,000

J. **NEXT STEPS**

Complete Motive’s design documents and solicit for bids. Complete the metal building design and erection bid documents and solicit for bids. Finish the electrical and plumbing design for the metal building, then return to Commission for authorization to finish construction of the electrical and plumbing for the metal building.