

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No.	<u>7a</u>
Date of Meeting	<u>May 17, 2016</u>

DATE: April 27, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Stephanie Jones Stebbins, Director, Maritime Environment and Sustainability
Joseph Gellings, Senior Planner, Maritime Environment and Sustainability
SUBJECT: Development of the Fishermen’s Terminal Long Term Strategic Plan

SYNOPSIS

This staff briefing presents the concepts that have been developed for the Fishermen’s Terminal Long Term Strategic Plan. The plan will be instrumental in achieving the Port of Seattle Century Agenda goal of doubling the value of the fishing / maritime cluster. The Fishermen’s Terminal Long Term Strategic Plan addresses the physical development of Fishermen’s Terminal and it is complementary to the Maritime Division Long Range Plan and the Real Estate Strategic Plan.

The following Scope and Goals Statement, which was presented to the Commission on October 19, 2015, have guided the planning process.

Scope and Goals Statement – Fishermen’s Terminal Long Term Strategic Plan

- Scope:
 - Develop a vision and long-term strategic plan for Fishermen’s Terminal that leverages maritime and fishing activities and industries.
- Goals:
 - Continue to grow the economic value of the fishing and maritime cluster including the number of local jobs and business revenue.
 - Improve overall financial returns to allow us to fulfill our commitment to the industry and taxpayers.
 - Prioritize uses that support the commercial fishing industry, with a focus on anchoring the North Pacific Fishing fleet.
 - Prioritize development that maximizes utilization of facility assets.
 - Recognize and enhance Fishermen’s Terminal as a living community landmark.

Planning Process

The planning process was initiated in September 2015. The process has relied on an extensive stakeholder outreach program. The key stakeholders have included

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Fishermen's Terminal (FT) direct customers (moorage and upland tenants) as well as non-customers who are business leaders in the maritime community.

The process builds on a consultant study that examined the network of fishing-related businesses centered on the Ballard and Interbay neighborhoods. The purpose of that study was to gain a better understanding of the linkages between these businesses to ensure that the facility is hosting the right type of support businesses on-site. The study affirms that FT is unique amongst the nation's major fishing ports in that the large network of supporting businesses is dominated by vessel supplying and vessel maintenance services rather than services related to the seafood product. Another key study finding is that the cluster businesses are facing pronounced issues of availability and suitability in finding building space to operate in or near FT.

The Planning Strategies

The stakeholders quickly coalesced around the idea that FT should continue to function as an industrial facility and yet a targeted public presence is actually beneficial to FT's mission. Commercial fishing has been critical to Seattle's economy since the city's earliest days and there is great potential to honor that heritage by engaging the public in selected areas within FT.

This memo is accompanied by a presentation with extensive planning diagrams and other graphics. The graphics apply each of the above strategies. The graphics also suggest a conceptual plan implementation timeline with milestones at two years, five years, and 10 years. Per the presentation graphics, the most promising opportunity areas are the Gateway Area (the old bank building) and the West Wall open space.

The next steps in the development of the plan are: 1) more detailed financial analysis, that that will enable refinement of the new building concepts presented here, and 2) engaging a public interpretation design firm for the creative side of the public interpretation plan presented here.

BACKGROUND

FT is an engine for living wage jobs. While Washington state fisheries have undergone many changes, the North Pacific fisheries are very stable and Fishermen's Terminal has evolved to now have a stronger link to the North Pacific fisheries. The most promising growth strategies for the fishing cluster centered on FT revolve around embracing FT's role as a homeport in relation to distant water fisheries. The factors behind the strength of the North Pacific fisheries include its reputation for being amongst the best managed in the world and the seafood market represented by the growing middle class in Asia. The factors behind FT's appeal as a homeport include its freshwater moorage and its access to an extensive network of suppliers and specialized trades.

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Essential Site Data

The uplands of FT are 26 acres in size. Presently, the uplands are occupied by 20 buildings, parking lot, open gear storage and work areas. Two of the buildings have been vacant for several years and are considered unleaseable as detailed in previous staff briefings. These buildings are C-9 (the former Seattle Ship Supply building) and C-12 (the bank building.)

Complex land use regulations apply to FT. The base zone encourages industrial uses by setting limits on the size of various nonindustrial uses. The first 200 feet from the shoreline is subject to the Shoreline Master Program. This body of code encourages water dependent uses by setting limits on the size of non-water-dependent uses.

The existing community of building tenants at FT represents a wide range of ties to the fleets. A small number have no ties to the fleets. Approximately two thirds of the tenants could be characterized as having business ties to the fishing fleets whereas approximately three quarters could be characterized as having ties to some segment of the broader maritime industry. The services provided to the fleets by tenants range from shipyards / boatyards to maritime safety training companies.

Fishing Business Cluster Study

The firm of Madison Bay Commercial provided foundational work for the planning process by assessing the real estate trends in the Ballard and Interbay neighborhoods. They also identified supplier and trade relationships within the fishing/maritime cluster. An additional task was to identify the most promising strategies the Port could undertake for catalyzing growth of the entire cluster. The work was completed on December 15, 2015.

The overall picture of the fishing business cluster, provided by the consultant, matches up with independent observations made by staff. Firstly, the cluster is dominated by firms engaged in some aspect of supplying or maintaining the fishing boats. In other words, homeporting activity. It was only a small percentage of identified firms that process or distribute seafood product.

The consultant arrived at four recommended strategies for using the FT uplands to catalyze growth of the fishing cluster.

- The first recommendation is the development of light industrial buildings to house fishing suppliers. This responds to the finding that the suppliers put a value on being located close to or on-site to FT but have an increasingly hard time affording the rents and coping with employee issues (i.e. employees' put-off by local housing costs and/or traffic). This finding is consistent with real estate market data. In the City of Seattle, industrial building vacancy rates are lower than those for the office and retail markets; and they have been steadily falling since 2010. The problem is even more pronounced for industrial space in the

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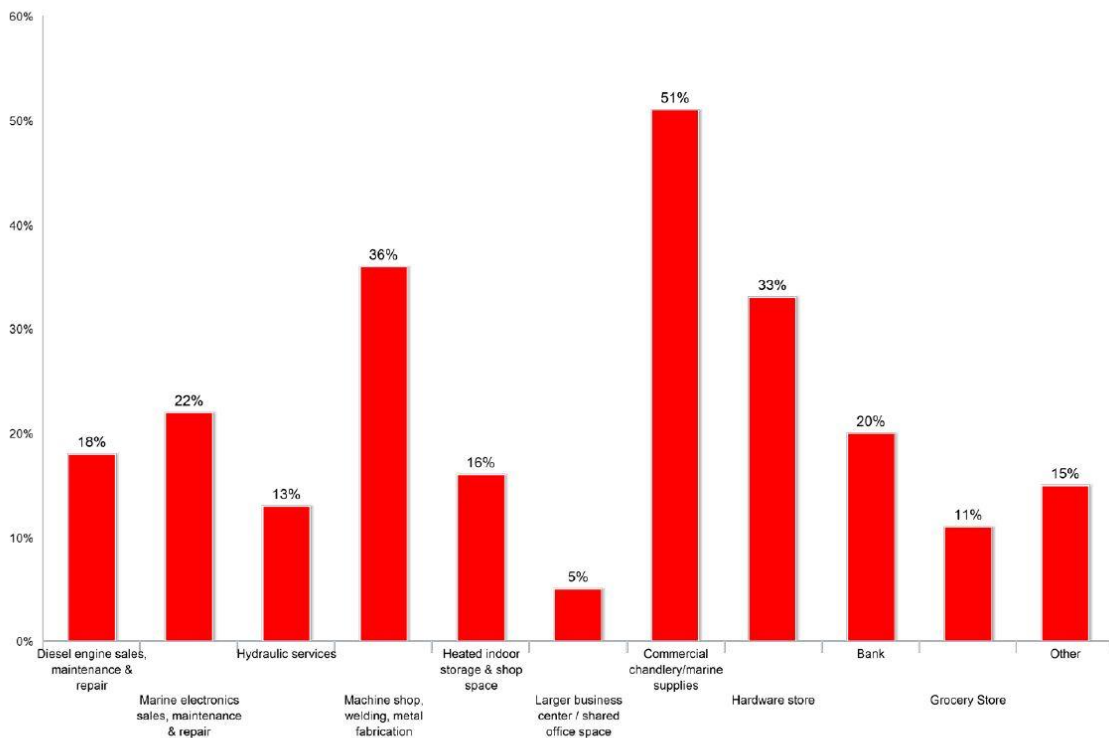
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Ballard Interbay submarket where the vacancy rate for industrial properties is currently 0.6 percent.

In addition to these broad characterizations of the suppliers, the cluster study also reported on specific priorities for on-site services expressed by the vessel owners. A distribution of priorities is found in the chart below. The standout categories are “commercial chandlery/ marine supplies,” “machine shop, welding, metal fabrication,” and “hardware store.”

Services Not at Fishermen's Terminal that Would Have Positive Impact on Business



Base: Owners/Managers of Vessels
Sums to >100%. Respondents were allowed to select up to 3 options.

Fishermen's Terminal Survey 2015-12-10

The other three recommended strategies are:

- 1) outdoor gear storage,
- 2) net shed consolidation
- 3) improvement of net repair area functionality

In each of these strategies, the consultant identified a variety of actions that could be taken to better tailor the services to the needs of the fishers or to operate them in a more space-efficient manner.

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Stakeholder Outreach and Input Themes

Stakeholder outreach has been at the heart of the planning process. A constant throughout the process has been the Strategic Objectives Steering Committee. The make-up of the committee is all members of the long-standing Fishermen's Terminal Advisory Committee plus additional seats for upland tenants and Seattle maritime business leaders. With this make-up, the committee brings insights on how the plan can catalyze growth of the cluster.

Numerous other forums for engaging stakeholders have been used. These included special events such as Fishermen's Fall Festival and the Ship Canal 101 tour. Two briefings of the Neighborhood Advisory Committee were conducted (Magnolia and Queen Anne representation) and one briefing of the Magnolia Community Council was conducted. A Fishermen's Terminal news topics email list with over 1,000 addresses has been used for notice of process milestones.

The planning process also received local media coverage. Articles ran in Queen Anne and Magnolia News in September and December, in Ballard News Tribune in November, and a Magnolia Voice tweet was made in December.

Two workshops held in January and February with the Strategic Objectives Steering Committee were the most significant element of the outreach. A consultant team led by VIA Architecture assisted staff with workshop content and facilitation. Agenda items included a discussion of Ballard-Interbay maritime industrial context, opportunity areas on the FT site, potential improvements, and the function of existing work areas.

The dominant themes in the stakeholder input during the design workshops included:

- The terminal must retain its industrial character. Public presence is compatible and even beneficial if it is targeted.
- The ground plane is precious. Many industrial activities are only workable at the ground level. Densification can be pursued for the activities that can be stacked vertically.
- FT should play a bigger role in the workforce development system for maritime jobs.
- The bank building is an exciting redevelopment opportunity based on its visibility to Emerson Street traffic and the gateway role of the area.
- Flexible building types should be considered in light of the wide range of support activities sought by the fleets.
- Work areas should be enhanced.
- New approaches to parking should be considered. Off-site long-term parking is acceptable.

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Synthesis of planning strategies and financial modeling

In consideration of stakeholder input as well as the fishing business cluster insights gained in the process, staff has identified the following Planning Concepts.

- 1. Develop new light industrial space.** The fishing business cluster study by Madison Bay Commercial indicates the most solid growth strategies revolve around maintaining and enhancing the appeal of homeporting a vessel in this area. The study also probed the building attributes sought by fish boat suppliers. The plan should respond to these drivers and accommodate suppliers with the development of new light industrial buildings.
- 2. Draw more public to the terminal and enhance the public experience without interference with industrial.** FT is the focal point for a large piece of the Seattle's heritage. There are many compelling story-telling themes to work with through interpretive installations that will engage the public. When members of the public have a good time with FT interpretive installations -- as well as retail and restaurants -- it contributes to community support for the entire commercial fishing industry.
- 3. Expand on Fishermen's Terminal's current role in workforce development.** There are many segments to the maritime workforce development system. FT is already playing a large role in safety and other trade certifications. Rather than compete with existing institutions for public funding, FT could serve as a convener of players and resources in the workforce development realm. The format of building spaces sought by workforce development players is consistent with the building needs of fishing suppliers.
- 4. The ground plane is precious for industrial.** As FT is densified, the planning must consider which functions can be stacked vertically. Many of the industrial activities cannot be stacked whereas other uses, such as offices, can be stacked.
- 5. Parking needs new management tools.** As FT is densified, new parking strategies will be needed. Improved management will suffice during early phases of new development; however, the need for structured parking is expected during later phases.

The attached presentation applies each of the above concepts. The plans in the presentation reflect a strategy of densification of the terminal. In concert with the stakeholder input, certain industrial activities must remain at grade level such as net repair and other work areas. The presentation contemplates phasing for the various development projects. This allows one to study milestones in the densification process such as development of a parking structure.

The planning process indicates that the best opportunities for a first phase of new development will be in the Gateway Area (old bank building) or the West Wall open space. The demand for parking from both buildings can be met without construction of a parking structure. The Gateway area has the advantage of enhancing the gateway effect and the interest level for pass-by traffic on Emerson Street. The West Wall open space

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has the advantages of proximity to working berths, accommodating truck turning radii and using the grade change along 21st Avenue to design buildings with two at-grade floors.

With the Gateway and West Wall sites in mind, a total of six new building concepts underwent initial financial analysis. The building concepts were devised on an iterative basis in order to test the role of different variables on financial performance. The variables of interest were building size, number of stories, use mix, and type of construction. The lease rates used in the analysis were \$15, \$22, and \$24 for light industrial, office, and retail, respectively (dollars per square foot per year, triple net).

In spite of the search for optimal building design, all six buildings showed a negative return on a 30-year life cycle analysis. This is consistent with past studies of new construction at FT. A very significant obstacle to generating positive returns is the high cost of dealing with FT's soil conditions. The construction costs are driven up by both soil bearing capacity and soil contamination. Staff will further refine the new building concepts. One example of the opportunity for refinement is the assumed lease rate for new light industrial space. There is high demand for industrial space in the Ballard-Interbay area, and yet there are almost no new industrial buildings in that market to serve as comparables for our analysis.

Next Steps

The next two significant tasks in developing the Long Term Strategic Plan will begin immediately following the Commission briefing. The first task is refinement of the development concepts at the Gateway Area and the West Wall open space. This effort would involve more detailed look at design elements and further financial analysis. The evaluation will be looking at whether these buildings could be designed to both meet the industrial needs while improving the financial performance.

The second task is engaging a consultant in the design of the public interpretation installations. The attached presentation shows the intended location and themes for public interpretation. However, being thoughtful about partners, management, and the creative content will be crucial to the success of the project. Therefore, staff will engage the services of a firm specialized in public interpretation.

ATTACHMENTS TO THIS BRIEFING

- Power Point presentation
- Consultant report, "Fishermen's Terminal Planning Services," VIA Architecture, April 28, 2016

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 19, 2015 - Briefing upon completing initial stakeholder outreach and setting Scope and Goals Statement

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- August 11, 2015 - Briefing on intent of developing Fishermen's Terminal Long Term Strategic Plan