



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8a

ACTION ITEM

Date of Meeting May 14, 2019

DATE: April 26, 2019
TO: Stephen P. Metruck, Executive Director
FROM: Dave McFadden, Managing Director Economic Development
Stephanie Jones-Stebbins, Managing Director Maritime
Tim Leonard, Capital Project Manager
SUBJECT: Maritime Innovation Center (CIP #C801084)

Amount of this request: \$1,850,000
Total estimated project cost: \$10,500,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) authorize an additional \$1,850,000 in design funding for the Port’s redevelopment of the historic Seattle Ship Supply Building at Fishermen’s Terminal (FT) into a new Maritime Innovation Center building and (2) execute an amendment to the existing service agreement for Fishermen’s Terminal Phased Design Services, with Miller Hull Partnership LLP, in the amount of \$1,000,000 to complete the final planning, design and permitting of the Maritime Innovation Center, for a new not-to-exceed contract value of \$5,000,000. The requested Maritime Innovation Center design authorization brings the total authorization to date for CIP #C801804 to \$2,150,000, out of an estimated project cost of \$10,500,000.

EXECUTIVE SUMMARY

As part of efforts to redevelop Fishermen’s Terminal, staff is working to develop a Maritime Innovation Center that will help the region’s maritime industry adopt advanced technologies and stimulate innovative entrepreneurship. Successful innovation centers can help sustain maritime industries and help ports modernize operations and key lines of business. This is a significant opportunity for the region:

- The global “Ocean Economy” is growing. It is valued on a conservative basis by the Organization for Economic Cooperation and Development (OECD) at \$1.5 trillion (2010) and growing to \$3.0 trillion by 2030;
- The Seattle region is rich in maritime resources and heritage, but this is under recognized by the general public and policy makers being overshadowed by high-tech. The maritime industry is also not particularly innovative;
- The Port has several facility options that could support a Maritime Innovation Center;

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- Public and private partners are interested in Maritime Innovation Center as focal point to help advance: 1) electrification; 2) ship and vessel design innovation; and 3) marine renewables; seafood product development; and
- Promoting knowledge transfer, business incubation, and workforce development are the biggest needs in terms of addressing maritime innovation challenges (and opportunities).

Washington State has put \$5 million in the Department of Commerce’s capital budget to help fund the Port’s Maritime Innovation Center. We estimate it will cost \$10-12 million to renovate and equip the historic Ship Supply Building so the state’s investment represents a significant contribution towards the Maritime Innovation Center.

Completing additional design work on the historic Ship Supply Building will enable the Port to determine whether this building is a cost effective location for the Maritime Innovation Center.

Funding for the Maritime Innovation Center has been included in the 2019-2023 Capital Improvement Plan.

JUSTIFICATION

The Maritime Innovation Center (MInC) will act as a catalyst and platform for maritime companies to grow and together create a common culture and environment for entrepreneurship. By fulfilling this mission, the Center would meet the needs of distinct client communities, contribute to job creation, and provide for enhanced economic health to the region.

The MInC would support the launch and growth of selected new and emerging companies by providing a stronger and more cohesive entrepreneurial environment in Washington State. The Center’s primary focus would be on entrepreneurs building high-growth ventures. The MInC will also direct efforts towards supporting women, underserved communities, people of color and youth via a number of mechanisms, including specialized programs and events.

The proposed facility includes a variety of services such as facility space, common office equipment, direct business assistance and guidance, mentoring, networking to facilitate capital, and other technical resources. A network of existing resources in the community would be developed to support client needs.

To achieve its mission, the MInC’s needs to meet the strategic objectives described below:

- **Be the focal point for the local hub-and-spoke model as well as a global collaboration ecosystem** – In a *local* setting, the MInC must strengthen existing relationships and build new linkages with all relevant stakeholders (including non-maritime industries) to leverage the region’s orientation towards environmental sustainability, technology innovation and maritime heritage. Maritime companies will benefit from this hub-and-spoke model of collaboration, since regional expertise in high-tech software and data companies will be easily accessible for the introduction of disruptive technologies in the

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maritime field. At a **global** level, the MInC must play a similar role in maintaining a detailed understanding of the global ecosystem of startups, organizations and research institutions, and reciprocate with knowledge-sharing of activities from the MInC. Being part of this global collaboration ecosystem will ensure that the MInC's clients have access to many invaluable resources, including;

- awareness of incubator and accelerator programs tailored to ocean impact technology,
 - success stories and events happening in other parts of the world,
 - top global subject matter experts, serial entrepreneurs, business leaders and investors with potential to get their entry and scaling in the US.
- **Become centralized information source to BlueTech sector** – The MInC must become a repository of all relevant information to support new entrepreneurs in the BlueTech sector. Information to be made readily available at the MInC includes overview and means of access to all relevant services such as business development assistance and advisory services, professional networking with the hub-and-spoke representatives, education programs, etc.
 - **Offer incubator and accelerator environment** – The MInC must ensure that physical facility-based services are available to new entrepreneurs. This can be enhanced by leveraging existing work spaces offered by the various stakeholders within the hub-and-spoke network.
 - **Offer education/career connected learning services** – The MInC will offer the community “general awareness” sessions about the various aspects of the maritime industry to people of all ages, backgrounds and professions. The MInC will also have dedicated knowledge-booster programs for the younger generations, offered up to high school students.

Benefits to Stakeholders

It is expected that the MInC, if successful in meeting its strategic objectives thereby achieving its mission, will benefit several key stakeholders in Washington State.

- Incubator and accelerator companies: These companies are more likely to succeed if they are to receive the right type and amount of support during their early development years, such as:
 - **Reduced barriers to entry** – the MInC's environment will allow start-up companies to benefit from affordable office space, access to shared equipment, and meeting facilities, thereby reducing their overhead and operating costs during the critical formative years.
 - **Networking and mentoring** – by leveraging local resources and networks, the MInC would allow companies to connect with the relevant mentors, suppliers, and funding agents.

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- **Increased visibility and stature** – the MInC’s incubator role will increase the visibility and presence of its tenant companies in the marketplace and advance their success potential. Admission to the incubator would imply an endorsement that enhances stature of new companies and increases their chances to secure funding.
- **Increased company valuation:** The MInC’s accelerator role will provide tenants with support to scale their businesses and offer opportunities to meet the most active investors to grow the value of their company.
- **Community:** The overarching benefit to the community is increased economic health and vitality through:
 - **Job creation** – Incubator companies would create new employment opportunities for area residents and introduce young people to exciting new careers. Technology companies typically create higher wage and higher skill jobs.
 - **Career exploration** - the Youth Maritime Collaborative (YMC), formed to increase awareness regarding opportunities in the maritime industry especially for low income youth, will also benefit from the MInC. The facility will also support classes, field trips and project based learning.
 - **Enhanced image** – A business incubator is an important element to enhance Puget Sound’s image as a progressive, future-thinking place that encourages and supports technology business development for sustainable maritime and ocean industries.
 - **Increased entrepreneurialism** – Business incubators create awareness of entrepreneurs and stimulate confidence among individuals to consider business and product creation opportunities.
 - **Business development** – Established area businesses, especially those that develop relationships with early-stage companies, create long-term business opportunities as incubator companies grow and expand.
 - **Increased tax revenue** – New jobs and new businesses in the incubator and those businesses that graduate from the incubator and spin-out into the community would generate a larger, more diverse tax base to support public services and contribute to many facets of community livability and health.

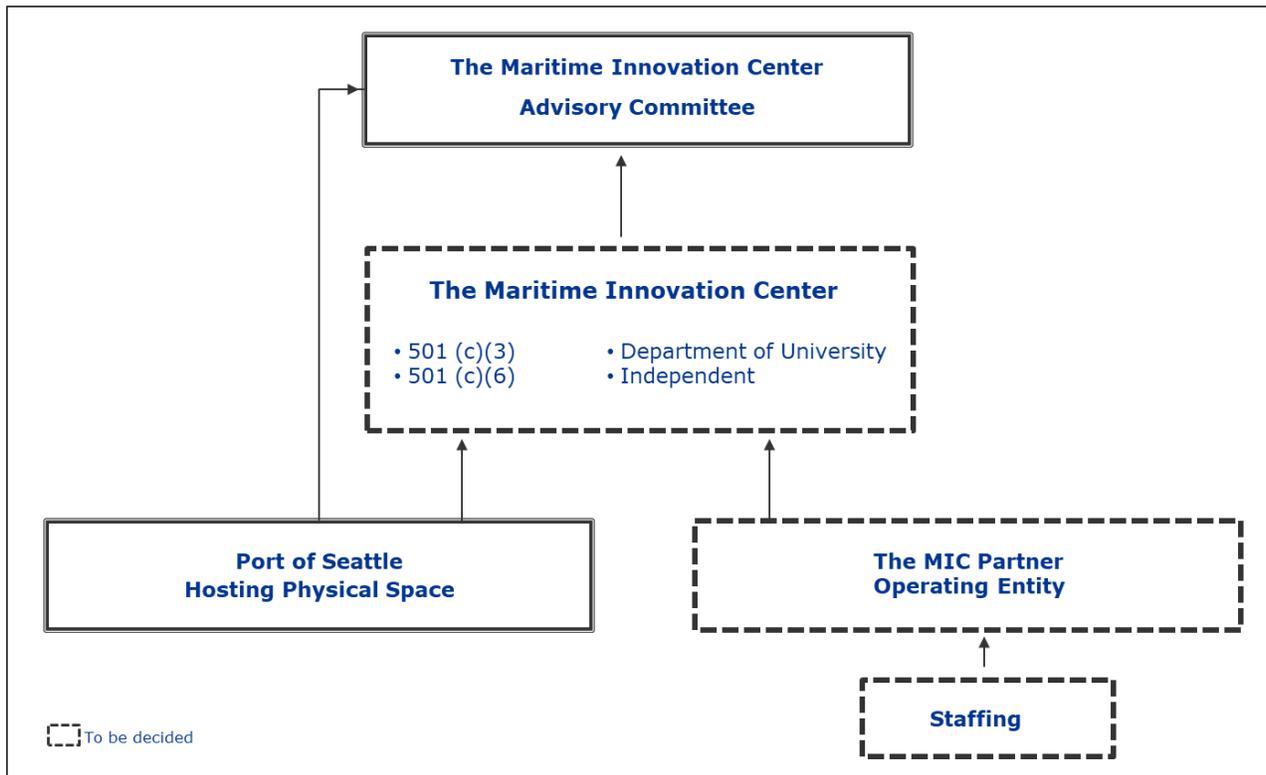
DETAILS

Operation and Governance

Based on an assessment of various operational and governance structures, the Port of Seattle has defined its role in the MInC as a landlord, hosting the physical space while a partner will be assigned as an operating entity to ensure the MInC is working effectively and concentrating on the broader public and private interests in the maritime industry (see diagram on next page).

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Port of Seattle will provide the facility for the MInC and support setting it up and bringing it to an operational stage after which the operating partner will take over to run the program and the MInC as a whole. The operating partner will be responsible for the staffing recruitment as well.



There are different operational and governance structures under which the MInC could operate, including formal partnerships with either public or private organizations. Deciding upon the appropriate model requires an evaluation of the model’s tradeoffs with respect to several key criteria related to executing the Center’s mission. The key criteria to consider include:

- Facilitate access to funding: different types of entities (i.e., public, private, nonprofit) will have different sources of funding and capital that they can access at different costs and legal limitations.
- Financial exposure: tax exempt status and ability to realize economies of scale or leverage in-kind contributions are both factors which influence the financial viability of the proposed Center and differ among ownership and operating models.
- Operational flexibility: ability to deliver Center activities via contracts, partner with other academic and peer institutions, and engage in a mix of public and private activities.

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- Accountability: each entity will have unique success metrics and accountability mechanisms.

The best model will be one that facilitates access to low cost capital, minimizes operating costs (is tax exempt and able to achieve economies of scale on the operations side), and is mission-driven and accountable to stakeholders.

The preferred options are to have the Center operated:

- By establishing it **under an existing non-profit** such as a 501(c)(6) or 501(c)(3)
- By establishing it as a **department under** a non-profit university
- By establishing it as an **independent** non-profit entity

Maritime Innovation Center Services

A key component of the Center will be the business incubator and accelerator programs. The **incubator** will cater to entrepreneurs developing early stage business ideas and technologies in search of viable business ideas. The **accelerator** program will cater to businesses with defined products and business plans trying to scale their efforts.

These incubator and accelerator services and programs are designed to increase a client's likelihood of successful development and growth beyond what the client company could achieve on its own. Offering value-added services is critical to the MInC's ability to successfully generate jobs and wealth in the region. Thus, the MInC service offerings are divided into six categories:

- Direct business development assistance
- Professional network and relationship support
- Educational programs
- Out-reach services
- Facility-based services
- Virtual services

Incubator and accelerator clients would have access to all core programs and services as part of their monthly lease agreement. Per unit service fees would be required for additional office services and special programs that may require client support fees.

The MInC will work to develop cooperative agreements and referral relationships with existing resource partners throughout Washington State who provide services that support the growth of early stage technology businesses. Such cooperation will avoid redundancy and redirect valuable time/resources toward services that address specialized and unmet needs of the MInC's clients.

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Facility Considerations

Research of incubation and accelerator programs around the world shows that co-location of like-minded businesses or startups with collaboration from partners in academia, industry, and policy is critical to facilitate innovation.

For the MInC to be successful in providing a culture of innovation for the maritime industry, it needs to provide a facility for this collaborative environment. The facility needs to include six programmatic components:

- Incubator office space
- Accelerator office space
- Anchor office space
- Event space
- Fabrication space
- Shared tenant space; conference rooms, and Center administrative office space

The Port of Seattle completed a preliminary space and design concept to map out the potential program space with a facility concept at 12,000 square feet. The location for the Center is critical in ensuring it meets the need for new and emerging businesses in the maritime industry. Several site alternatives are summarized below, followed by approximate space allocation.

For the Center’s facility in the Seattle area, there are three basic sites being explored as options:

- 1) Existing FT Ship Supply Building
- 2) Space within planned building at Terminal 91 Uplands
- 3) Space within the proposed FT Gateway Building

To select the new facility location for MInC from the 3 options mentioned above, a matrix measuring the needs of the new facility against the potential locations was developed.

All of these alternatives would proximate the innovation center with companies (fishing & maritime supply chain companies) who can all collaborate to grow and modernize operations, thus advancing maritime innovation. The matrix below provides more details to examine the relative advantage and disadvantage of each location in comparison to one another.

Facility Location Criteria

DNVGL, the Port’s consultants on the maritime innovation center business plan, established criteria to compare and evaluate each facility option:

Public transportation access: Accessibility to the Center is important since it serves to be an important decision for tenants. Each site is given a public transit range as follows:

- 4 = Served by bus, light rail and other forms of public transit

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- 3 = Served by bus with stop at property entrance
- 2 = Served by bus with stop within 1/4 mile of innovation center
- 1 = limited public transportation with no proximate service

Access to water: An assured water supply of sufficient quantity and quality is an important factor to consider when deciding the suitability of a location. Sites are scored with respect to the following factors:

- 4 = Facility is on fresh or salt water with moorage capacity
- 3 = Facility is within 1/4 mile of fresh or salt water - limited moorage capacity
- 2 = Facility is within 1/2 mile of fresh or salt water - no moorage available
- 1 = Access to fresh or salt water difficult or not optimal

Access to laydown area for staging: Development and testing of new maritime technologies often require space to stage the devices before going into water or on board for deployment. Laydown areas can provide this critical staging space for deployments. These scores are given as follows:

- 4 = Facility provides a laydown area
- 3 = Facility is within 200 yards of a laydown area
- 2 = Facility is within 1/4 mile of a laydown area
- 1 = Access to laydown area is difficult or not optimal

Proximity to Maritime Suppliers and Manufacturers: It is also advisable to locate closer to maritime suppliers and manufacturers as their services would be required quite often. Sites are scored as follows:

- 4 = Facility is within 1/2 mile of machine shops and maritime suppliers (inc. chandlery)
- 3 = Facility is within 1 mile of machine shops and maritime suppliers (inc. chandlery)
- 2 = Facility is within 3 miles of machine shops and maritime suppliers (inc. chandlery)
- 1 = Facility not located in proximity to maritime supply chain

Visibility: This is important for marketing image and identity. The visibility range is identified as follows:

- 4 = Visible from Seattle arterials and surrounding streets
- 3 = Visible from property entrance
- 2 = Visibility possible from property entrance with signage or other building improvements
- 1 = Not immediately visible

Historic preservation, aesthetics, and ability to leverage partner capital: When evaluating potential MInC sites, the importance of the location should be considered in terms of historical significance and the capital it can leverage. The score is established as follows:

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- 4 = Facility is historic and can leverage other capital \$
- 3 = Facility is new and can leverage other capital \$
- 2 = Facility is new, but it may not leverage other capital \$
- 1 = Facility not located in proximity to maritime supply chain

Criteria Weighting

The selection criteria allow for each to be rated and assigned a point value based on the scale defined above. A score of 1 is the least favourable and a score of 4 the most. Each criterion is also assigned a weight, the total of which adds up to 100%. When total point values for a criterion are multiplied by the weight factor, a weighted score will be determined for that criteria. The total of the weighted scores result in the final location’s score and subsequent ranking. The highest weight assigned is 20% each and allocated to public transportation access, access to water, access to laydown area for staging and proximity to maritime suppliers and manufacturers. These are all factors that will have a major impact on MINC’s operational capabilities. Visibility along with historic preservation, aesthetics, and ability to leverage partner capital are also criteria that have been considered and given a weightage of 10% which reflects a lesser degree of importance in making a location attractive.

See table on page 10 for evaluation results

Size and Space Allocation

The MINC is assumed to be 12,000 square feet with the following space allocation:

- | | |
|--|---------------------|
| Accelerator Client Office Space: This component includes a mix of co-working, independent stations, and dedicated office space needed to support the individuals and firms in the Center’s program. | 1,500 sq. ft |
|--|---------------------|
- | | |
|---|---------------------|
| Incubator Client Office Space: This component is similar to the accelerator office space with a mix of co-working, independent stations, and dedicated office space needed to support the individuals and firms in the Center’s program. | 1,000 sq. ft |
|---|---------------------|
- | | |
|---|---------------------|
| Anchor Tenants: This component includes office space for additional tenants that would benefit from co-location within the Center. These tenants might include other more established businesses in the maritime sector that can lend advice and guidance while having access to innovations and startups. | 5,000 sq. ft |
|---|---------------------|
- | | |
|--|---------------------|
| Event space: The event space is a venue for the Center and industry groups to host events. The space should be flat and open, allowing for a variety of uses including meetings, audio/visual events, and gatherings. The specific design of the event space should also allow for double duty as flex space for tenants. | 1,500 sq. ft |
|--|---------------------|
- | | |
|---|---------------------|
| Fabrication Space: This component is a workshop space for the tenants. The | 1,000 sq. ft |
|---|---------------------|

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area allows for development and assembly of prototypes.

- **Common space:** The space includes the office space for Center administration offices, meeting and conference rooms, kitchen, lounge, and reception area. **2000 sq. ft**

A suggested and important feature of MInC’s design should be flexibility. Flexibility is necessary to provide modest sized spaces for new clients but allow for internal expansion and contraction as client business needs change during tenure in the Center. Movable walls and cubicle set-ups allow for flexibility in space utilization, with an ability to alter the space utilization on a temporary basis.

Site Evaluation

No	Site Selection Criteria	Weight	Site 1: Ship Supply Building		Site 2: 791 Uplands		Site 3: FT Gateway	
			Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
I	Accessibility 4= Facility is within 200 yards of public transit and within 20 minute commute from partners (UW Applied Physics Lab, Maritime Blue, etc.) 3= Facility is within 1/4 mile of public transit and within 20 commute from partners 2= Facility is within 1/2 mile of public transit and within 30 minute commute from partners 1= Facility is more than 30 minutes drive from partners	20%	3	0.6	1	0.2	4	0.8
II	Access to water 4= Facility is on fresh or salt water with moorage capacity 3= Facility is within 1/4 mile of fresh or salt water - limited moorage capacity 2= Facility is within 1/2 mile of fresh or salt water - limited moorage available 1= Access to fresh or salt water difficult or not optimal	20%	4	0.8	2	0.4	3	0.6
III	Access to laydown area for staging 4= Facility provides a laydown area 3= Facility is within 200 yards of a laydown area 2= Facility is within 1/4 mile of a laydown area 1= Access to laydown area is difficult or not optimal	20%	4	0.8	4	0.8	3	0.6
IV	Proximity to Maritime Suppliers and Manufacturers 4= Facility is within 1/2 mile of machine shops and maritime suppliers (inc. chandlery) 3= Facility is within 1 mile of machine shops and maritime suppliers (inc. chandlery) 2= Facility is within 3 miles of machine shops and maritime suppliers (inc. chandlery) 1= Facility not located in proximity to maritime supply chain	20%	4	0.8	3	0.6	4	0.8
V	Historic Preservation, Aesthetics & Ability to Leverage Partner Capital 4= Facility is historic and can leverage other capital \$ 3= Facility is new and can leverage other capital \$ 2= Facility is new but it may not leverage other capital \$ 1= Facility not located in proximity to maritime supply chain	10%	4	0.4	3	0.3	3	0.3
VI	Visibility 4= Visible from Seattle arterials and surrounding streets 3= Visible from property entrance 2= Visibility possible from property entrance with signage or other building improvements 1= Not immediately visible	10%	3	0.3	1	0.1	3	0.3
Total Scores			3.7	3.7	2.3	2.4	3.3	3.4
Site Ranking			1	1	3	3	2	2

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Operational Milestones and Roadmap

The Port of Seattle plans to work closely with Maritime Blue and other partners to scale MInC slowly and purposely over the next three years as the facility is constructed. Staff has formed an advisory committee to guide the overall MInC initiative.

Number	Activities	Quarter	Months
2019			
1	Provide detailed information about MInC	Q1-Q2	
	Brief Commission on Maritime Blue plan and Maritime innovation Center ffitch to start briefing legislators on innovation center if in Governors’ capital budget		Jan-19
	Seek design authorization for Ship Supply building		Jan-19
			May-19
2	Finalize Business Plan and Organization	Q2	
	Revise maritime innovation center business plan completed with modified site selection criteria, financial assumptions and proformas		April-19
3	Maritime Innovation Center Advisory Group Meetings	Q1-Q3	
	Kickoff Meeting		March-19
	Becomes subcommittee of Maritime Cluster Nonprofit Board		May-19
	Fall Planning Meeting		June-19
	Meeting		Sept.-19
4	Conduct three fact finding trips	Q2-4	
	Fact finding trip to Alta Sea @ Port of LA/Long Beach	Q2	
	Fact finding trip to COVE (Halifax Innovation Center/SUNY Maritime Technologies Global Technologies Innovation Center	Q4	
	Maritime Alliance conference/field trip to San Diego	Q4	
5	Host Networking Events (3)	Q2-3	
	Emerging Maritime Company event	Q2	
	Maritime Innovation BBQ featuring Pacific NW Ocean Cluster	Q3	
	Reverse Pitch Event: Industry Problems and Opportunities event	Q3	
6	Finalize Partnership to operate incubator and accelerator programs	Q2-Q3	
	Develop RFP or RFQ for potential accelerator/incubator partners		May-19
	Finalize partner and sign agreement with partner		July-19
7	Finalize maritime mentors for the program	Q2	
	Develop a plan to approach mentors		Aug-19
	Finalize mentors		Sept-19
8	Maritime Accelerator Program (or Maritime Innovation Challenge)	Q4	
	Publish website for the Accelerator Program		Aug-19
	Launch Accelerator Program with partner/s		Oct-19
9	Pilot Maritime Accelerator Program (or Maritime Innovation Challenge)	Q4	
	Application open for Cohort 1		Oct-19
	Application closed for Cohort 1		Oct-19
	Acceptance announcement for Cohort 1		Nov-19
	Nov 15th: Accelerator Program starts		Nov-19

Number	Activities	Quarter	Months
2020			
1	Assist to grow investor network with Maritime Blue	Q1-4	
2	Location of MINC finalized & development begins	Q1	
3	Organize quarterly innovation events	Q1-Q4	
4	2-3 fact finding trips	Q1-Q4	
5	Quarterly advisory meetings	Q1-Q4	
6	Operate Incubator/Co-working Space	Q1-Q4	
7	Cohort 1: Maritime Accelerator Program (or Maritime Innovation Challenge)	Q1	
	Jan 15th: Accelerator Program End		
	Feb 1st week: Pitch Day for investors		
8	Cohort 2: Maritime Accelerator Program (or Maritime Innovation Challenge)	Q1-Q3	
	Applications open for Cohort 2		Mar-19
	Application closed for Cohort 2		Mar-19
	Apr 15th: Accelerator Program Starts		Apr-19
	June 15th: Accelerator Program End		Jun-19
	July 1st week: Pitch Day for investors		Jul-19
9	Cohort 3: Maritime Accelerator Program (or Maritime Innovation Challenge)	Q4	
	Application open for Cohort 3		Octr-19
	Application closed for Cohort 3		Oct-19
	Acceptance announcement for Cohort 3		Nov-19
	Nov 15th: Accelerator Program starts		Nove-19

Number	Activities	Quarter
2021		
1	Maritime innovation center starts construction	Q1
2	Open applications for incubators and anchor tenants	Q1
3	Finalize Incubators and anchors	Q2
4	Sign agreements with incubators and anchor tenants	Q4
5	Complete Cohort 3 & 4: Maritime Accelerator Program (or Maritime Innovation Challenge)	Q1-Q4
6	Quarterly innovation events	Q1-Q4
7	Host Maritime Innovation Summit	Q4
8	Quarterly advisory meetings	Q1-Q4
9	3 innovation events	Q1-Q4

Number	Activities	Quarter
2022		
1	Maritime innovation center facility open	Q1
2	External affairs strategy implemented to highlight innovation center purpose/possibilities	Q1
3	Host 3 Innovation Events	Q2-Q4
4	Complete Cohort 5 & 6: Maritime Accelerator Program (or Maritime Innovation Challenge)	Q1-Q4
5	Quarterly advisory meetings	Q1-Q4

Proposed Project Improvements and Design

The existing Seattle Ship Supply Building at Fishermen’s Terminal is to be renovated and converted into the proposed Maritime Innovation Center. Structural analyses performed on the existing building have determined that its structural piles and historic timber framework may be preserved and supplemented as necessary to support the new structure. All other major existing components including the building’s interior walls, utility systems, outer envelope, and roof, will be demolished. The new Maritime Innovation Center structure will be constructed utilizing the existing Ship Supply Building’s in-place framework and therefore retain its historic height and shape.

The proposed project scope of work is as follows:

1. Abatement of regulated materials in existing structure
2. Partial building demolition (existing timber piles and structural framework to be preserved in place)
3. Subgrade, structural piles, and structural framework remediation
4. Core and shell (envelope, roof, interior core spaces, and mechanical systems) construction for new building
5. Utility services removal and replacement
6. New paving (building perimeter and parking lot)

Final planning and design for the proposed Maritime Innovation Center and related site improvements will begin immediately after Commission approval of the requested additional design funding. This effort will build upon the previously completed 15% conceptual design.

Miller Hull Partnership, LLC, the design consultant for the Fishermen’s Terminal Phased Design Service, will perform these services and complete full construction bid documents from their current level. The original contract amount was \$1,500,000 which included the scope for this project, but only authorized funding for an initial design. As a result, the contract must be amended to add the additional funding in the amount of \$1,000,000 which will increase Miller Hull’s FT planning and design services contract to \$5,000,000 total.

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Community Outreach and Communications

Initial community outreach and engagement around the MInC unfolded during the Port’s Fishermen’s Terminal (FT) Master Planning process in 2016 and 2017. Staff hosted multiple planning sessions, open houses and stakeholder meetings as part of developing new plan for FT. During the process, stakeholders cited a need for light industrial facilities with smaller spaces for maritime manufacturers and suppliers. Several participants suggested that FT develop space for meeting rooms/conference center

Extensive outreach and engagement also supported the Maritime Innovation Center planning project (2016 and 2017):

- Hosted a SWOT workshop with 25 maritime stakeholders
- Developed an online survey that solicited input from 150+ stakeholders
- Hosted outreach meetings with partners in Anacortes and Port Hadlock
- Interviewed 35 Maritime stakeholders (28 distinct organizations)
- Facilitated a design charrette focused on adaptive reuse of the Port’s Ship Supply building

As the Maritime Innovation Center plan was completed, the state’s Maritime Blue initiative started. It generated significant outreach and engagement in 2018 and the MInC was a central part of the strategy they shared with hundreds of maritime and community stakeholders.

Estimated Schedule

Activity

Commission design authorization (initial design)	2016 Qtr 4
Shoreline and Building Permits from SDCI	2020 Qtr 3
Commission construction authorization	2020 Qtr 3
Building core and shell construction start	2020 Qtr 4
Tenant improvements construction start	2022 Qtr 3
In-use date	2023 Qtr 4

	This Request	Total CIP
Design/Permitting	\$1,850,000	\$2,150,000
Construction	\$0	\$8,350,000
Total	\$1,850,000	\$10,500,000

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 - Do Nothing – Pass on Maritime Innovation Center development

Pros

- (1) Retains Port capital for other priority projects and financial initiatives
- (2) Avoids temporary construction impacts to Fishermen’s Terminal (FT) business operations

Cons

- (1) Missed opportunity to achieve Port objectives of advancing maritime industry through innovation and modernization
- (2) Missed opportunity for making FT hub of regional innovation initiative

This is not the recommended alternative.

Alternative 2 - Find a different location at an existing Port owned facility

Pros

- (1) The Port may be able to find a more economical location for the Maritime Innovation Center
- (2) Construction impact to existing FT tenant business operations may be more limited at any given time

Cons

- (1) Other facilities are currently unavailable or less conducive for an innovation center
- (2) May jeopardize state funding partnership

This is not the recommended alternative.

Alternative 3 - Complete design work on historic Ship Supply Building

Pros

- (1) Determines costs/benefits for Ship Supply Building
- (2) Allows Port to evaluate Ship Supply Building versus other facility options
- (3) Provide positive signal to state about Port commitment to an innovation center

Cons

- (1) Design fund investment may show Ship Supply Building redevelopment is ultimately difficult or impossible to develop
- (2) Innovation center operations still in virtual state and somewhat unclear in terms of operations and related space needs.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

- It is anticipated that the Center will generate a net positive operating income for the Port as a landlord from Year 1 onwards. The proposed Maritime Innovation Center is anticipated to generate average annual net operating income of approximately \$200,000 over the first 10 year period for the Port.
- From the MInC operator entity’s perspective, it is anticipated that they will be able to cover 79% in year 1 (increasing to 97% coverage by year 7) of its operational costs from the rental revenue from the facility.
- The MInC’s operating partner will also have to ensure a steady funding source to maintain and cover operational costs. The operating entity would need to secure external contributions of approximately \$ 72,000 annually on average for the first 5 years to sustain its operations.

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$0	\$0	\$0
AUTHORIZATION			
Previous authorizations	\$300,000	\$0	\$300,000
Current request for authorization	\$1,850,000	\$	\$ 1,850,000
Total authorizations, including this request	\$2,150,000	\$	\$2,150,000
Remaining amount to be authorized	\$8,350,000	\$	\$8,350,000

Annual Budget Status and Source of Funds

This project was included in the 2019-2023 Capital Plan under CIP C801084 FT Maritime Innovation Center with a total cost of \$10,500,000.

This project will be funded by the Tax Levy.

Meeting Date: May 14, 2019

Pre-Design Financial Analysis and Summary

Project cost for analysis	Port investment of \$5,500,000. Analysis assumes Washington State contribution of \$5,000,000 to the project.
Business Unit (BU)	Maritime Portfolio Management
Effect on business performance (NOI after depreciation)	The facility is estimated to generate annual NOI before depreciation of approximately \$200K by year 5 of operation and does not include potential financial support provided by the Port to the Innovation Center for operations. The project will increase annual depreciation by approximately \$183K based on an estimated 30 year life of the renovations.
IRR/NPV (if relevant)	NPV: (\$3M) IRR: 1.9%
CPE Impact	N/A

ATTACHMENTS TO THIS REQUEST

- (1) Maritime Innovation Center Design Funding PowerPoint Slide Presentation
- (2) Maritime Innovation Center Business Plan

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

January 22, 2019 – Commission authorized an amendment to the Fishermen’s Terminal Phased Design Services contract, with Miller Hull Partnership LLP, for \$1,000,000 for final planning, design, and permitting for the Fishermen’s Terminal Gateway Building and associated facility improvements.

January 8, 2019 – Commission received a briefing regarding Maritime Blue Plan and the Maritime Innovation Center.

December 5, 2017 – Commission authorized an amendment to the Fishermen’s Terminal Phased Design Services contract, with Miller Hull Partnership LLP, for an amount up to \$2,000,000 for planning, design, and permitting for Salmon Bay Marina redevelopment.

December 13, 2016 –Commission authorized an initial \$3,000,000 for the Fishermen’s Terminal Redevelopment program planning and design; the total preliminarily estimated design cost was \$7,000,000.

May 17, 2016 - Commission received a briefing on the planning strategies comprising the Fishermen’s Terminal Long-Term Strategic Plan.

October 27, 2015 - Commission received a briefing about the progress of the stakeholder outreach program for the Fishermen’s Terminal Long-Term Strategic Plan.

August 11, 2015 - Commission received a briefing on the proposed scope and goals in advance of the launch of the planning process.