



**COMMISSION
AGENDA MEMORANDUM**

Item No.

8c

ACTION ITEM

Date of Meeting

June 11, 2019

DATE: June 4, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Melinda Miller, Director, Portfolio & Asset Management, Economic Development
Fred Chou, Capital Program Leader, Seaport Project Management

SUBJECT: Pier 66/Bell Harbor International Conference Center Modernization (CIP #C800889)

Amount of this request: \$10,350,000

Total estimated project cost: \$11,560,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to: (1) proceed with the construction phase of the Pier 66/Bell Harbor International Conference Center Modernization Project; (2) advertise and execute major public works contract; (3) execute purchasing contracts; (4) employ a project labor agreement for the project; and (5) approve additional funding of \$10,350,000 for a total estimated cost of \$11,560,000.

EXECUTIVE SUMMARY

The original request for design funding combined a redesign of the exterior of Paul Schell Center at Pier 66 with the interior modernization of Bell Harbor International Conference Center (BHICC). As design development proceeded, the team and executive leadership decided to postpone the exterior project and move forward with only the interior. The \$2.5 million design budget was segregated and \$1.21 million was allocated to the interior project.

The rebuilding of the Seattle Waterfront over the next few years presents a distinct opportunity to leverage the historical financial success and iconic heritage of Bell Harbor in anticipation of renewed regional and international interest.

Columbia Hospitality (CHI), our manager, has been an essential part of the project team from identifying the current market trends to developing the design guidelines and working with the design team. Through CHI's prudent management and assertive marketing, Bell Harbor has been profitable every year since opening.

The intent of this project is to protect the Port's original investment at Pier 66 by refreshing and modernizing BHICC in response to evolving market expectations. We will achieve this objective through changes to layout and furnishings, by better integrating the third-floor conference

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center with the newly expanded cruise terminal spaces on the first and second floor, enabling them to function more cohesively and effectively for events, and by maximizing views and natural light.

A major accessibility improvement is adding an ADA-compliant communicating ramp between the 3rd floor Conference Center and the 2nd floor Cruise space that is used for events. Currently wheelchair or disabled guests have to go down an elevator, north to another door and elevator up to the second floor. In the same manner, the proposed communicating stair between the 3rd floor conference center lobby and 1st floor on the south side will prevent attendees from having to go outside to get from the conference center to the 1st and 2nd floor spaces.

Design development has been completed and City of Seattle has issued the building permit. This project is ready to transition into the construction phase with the Commission's approval. In light of the challenging construction bid environment, the project team is doing the following to mitigate risk:

- Ensuring maximum awareness in contracting community prior to advertising
- Closing the 3rd Floor Conference Center during construction (mid-Nov to mid-May) to allow easy access for the contractor
- Providing thorough pre-bid walkthrough and 360-degree images to enhance understanding of work areas prior to bid
- Allocating higher construction contingency (15%)
- Providing a bid alternate
- Co-locating the Construction Management team inside conference center space

JUSTIFICATION

When BHICC opened in 1996, it was considered a state-of-the-art facility. BHICC was one of the few stand-alone conference centers not attached to a hotel. Its location on the newly developed central waterfront fulfilled a distinct and as yet unanswered need for a mid-sized event space while enhancing the region's destination profile (smaller and more intimate than Washington State Convention Center and Century Link Field Event Center yet larger than most hotel event facilities). Subsequently, the conference and cruise spaces were successfully integrated to provide expanded access to waterfront views and venues enhancing its competitive position and overall marketability as an event destination. Today, the Pier 66 facility remains one of the few cruise terminals in the country which operates as an event destination when the ships are not calling, generating revenue and providing economic benefit to the Port year-round.

However, the conference and event industry in Puget Sound and worldwide has matured and the minimum facility standards required to host premier, high-quality conferences and events have evolved dramatically. People convene quite differently today than 25 years ago; more flexible and collaborative spaces along with state-of-the-art technology and impactful audio-visual display to enhance experience creation are now mission-critical to successful events.

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The regional marketplace is rapidly evolving, and multiple new and compelling event spaces are being introduced in Seattle, Bellevue and other nearby communities. Though our facility is iconic and enjoys the distinct advantage of a showcase position on the central waterfront, it is showing its age and a refresh of furniture, fixtures and finishes is required.

The modernization project will increase rentable capacity; add more flexible and customizable spaces; incorporate new finishes; advance the technology and audio visual infrastructure; incorporate sustainable and environmentally friendly features; link levels one through three of the facility with a new interior open staircase and a new ADA-compliant ramp; install interior and exterior wayfinding signage; procure new furniture; and upgrade the kitchen equipment.

DETAILS

Project Goals

- Protect investment; ensure BHICC remains a relevant regional event destination
- Refresh and renew necessary elements whilst also enhancing the waterfront/pacific northwest aesthetic and the sense of place of this iconic facility
- Respond to evolving market demand for more flexible and collaborative event spaces
 - Less plenary space and more room for interaction and connection
 - More networking spaces and work stations adjacent to event spaces
 - Improve/update technological and audio-visual infrastructure and enhance experience creation potential
- Further leverage waterfront views and natural light
- Improve the visitor experience (for cruise and event guests) with better wayfinding, more unified design, and improved flow and integration
- Expand capacity and increase revenue generation
- Improve competitive position, enhance visitor loyalty and continue to grow repeat business

Scope of Work

The following are the major project elements that are included in the construction package:

- **Connections, flexibility, and transparency:** Increase the size and character of rentable areas and add more flexible, adaptable and customizable spaces - visually, audibly, and physically. This includes movable operable glass walls and flexible spaces to take advantage of the water views and create larger and more flexible pre-function areas. Significant amount of spaces will be reconfigured, including the reception and concierge/entry areas
- **Modern look:** Refresh the facility with new furnishings, finishes, floor coverings, and window treatment so it feels current but respects its history and established aesthetic
- **Updated technology:** Future-proof the technology and audio-visual infrastructure investments with new equipment to support emerging platforms which enable and enhance connectivity, interactivity, and productivity

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- **Sustainability features:** Incorporate energy efficiency and green project elements, for example LED lighting, smart lighting controls, lower energy consumption fixtures and equipment, and finish materials and furniture made from recycled materials.
- **Improved circulation:** Add a new open interior staircase that connects Level one’s Waterlink Gallery and Level two’s Waterlink Atrium to the third-floor conference center and allows guests to move throughout the facility without going outside as they have to do now.
- **Inclusion and accessibility:** Add a new Americans with Disabilities Act (ADA) compliant ramp connecting the conference center to the International, Olympic, and Waterlink Atrium spaces that will provide interior access for disabled guests and improve circulation.
- **Better Wayfinding:** Install interior and exterior signage to improve way-finding
- **An efficient “Back of the House”:** Upgrade kitchen equipment and relocate support spaces

Diversity in Contracting

Diversity in Contracting Department has determined a 10% WMBE aspirational goal for the construction contact.

Schedule

Commission design authorization	Q4 2016
Design start (combined with exterior project that has since been postponed)	Q1 2017
Commission construction authorization	Q2 2019
Construction start	Q4 2019
In-use date	Q2 2020

Cost Breakdown

	This Request	Total Project
Design	\$0	\$1,210,000
Construction	\$10,350,000	\$10,350,000
Total	\$10,350,000	\$11,560,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Maintain Status Quo. Continue to maintain the facility in its current state through the operations expense budgets and Bell Harbor International Conference Center’s Furniture, Fixtures & Equipment budget.

Cost Implications: Revenue Decline Potential of (2.5%) per year

Pros:

- (1) Lowest initial capital cost in the short-term (none)
- (2) No immediate interruptions of conference center operation

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Cons:

- (1) Aging facilities that look dated and do not have amenities such as updated audio visual and zone lighting systems and flexible spaces that are expected with today’s conference and event centers.
- (2) Decreased conference and event revenues as adopting lower pricing becomes the strategy to secure business in an aged conference facility – revenues are expected to decline on average by 2.5% per year without additional investment
- (3) Increased maintenance costs expected as facilities continue to age and wear out. Some of the components are obsolete and can no longer be purchased.
- (4) Need for modernization is simply deferred

This is not the recommended alternative.

Alternative 2 – Modernization: Proceed with construction funding to modernize the conference center. Staff has completed project scoping, design development, cost estimating, financial analysis, environmental review, and permitting.

Cost Implications: \$11,560,000 Revenue Increase Potential: Average 5% per year

Pros:

- (1) The proposed plans for the modernized conference center facility will better meet the current market demands and ensure its financial viability
- (2) Will enable revenue growth – estimated to increase by an average of 5% per year for the next 20 years

Cons:

- (1) Initial capital investment of \$11,560,000 higher in the short term than deferring improvements
- (2) Short-term revenue loss during construction period (November 2019 through April 2020)

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$7,000,000	\$0	\$7,000,000
AUTHORIZATION			
Previous authorizations	\$1,210,000	0	\$1,210,000
Current request for authorization	\$10,350,000	0	\$10,350,000
Total authorizations, including this request	\$11,560,000	0	11,560,000
Remaining amount to be authorized	\$0	\$0	\$0

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Annual Budget Status and Source of Funds

This project was included in the 2019 Plan of Finance under CIP C800889 BHICC Interior Modernization with a total project cost of \$11,000,000. The current total project estimate is \$11,560,000.

This project will be funded by the Tax Levy.

Financial Analysis and Summary

Project cost for analysis	\$11,560,000
Business Unit (BU)	Portfolio Management
Effect on business performance (NOI after depreciation)	The interior improvements are expected to increase revenue by 5% annually over the next 20 years. This project will generate the Net Cash Flow of \$15,168,742 and increase the Net Operating Income by \$26,728,742 based on 20-year cash flow projections.
IRR/NPV (if relevant)	NPV = \$2,408,779 using a discount rate of 6.6% MIRR = 7.4% Payback = 10.3 years
CPE Impact	N/A

Future Revenues and Expenses (Total cost of ownership)

Modernizing our existing assets readies them for current and future changes, extends their useful life, and preserves the economic vitality of our operations. This project would increase the size of the rentable areas, add more flexible and customizable spaces, and improve its amenities for guests. If approved, it would better meet the current market demands, preserve its financial stability and generate incremental revenues with an estimate growth rate of 5% annually over the next 20 years.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 11, 2016 – The Commission authorized \$2.5 million design funding for the modernization of the Bell Harbor International Conference Center and the façade of the Paul Schell Center at Pier 66.