

**COMMISSION
AGENDA MEMORANDUM**

Item No. 10a

ACTION ITEM

Date of Meeting February 24, 2026

DATE: December 15, 2025

TO: Stephen P. Metruck, Executive Director

FROM: Kyra Lise, Director, Real Estate Development
Jennifer Maietta, Director, Real Estate Asset Management
Evan Conroy, Capital Project Manager, Waterfront Project Management

SUBJECT: Terminal 91 Uplands – Post-Validation contract amendment (CIP # C800158, C801169, C801372)

Amount of this request: \$36,200,000

Total estimated project cost: \$131,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to approve funding to execute a Post-Validation Amendment to the Progressive Design-Build contract, MC-0321389, for the T91 Uplands Development program (C800158, C801169, C801372) to further advance design, complete the development and negotiation of a Guaranteed Maximum Price (GMP) contract for construction, and retain the option to perform some early work and procure long-lead items. Further Commission authorization for construction funding will be required.

The total requested for this action is \$36,200,000 for a total project authorization of \$46,300,000.

EXECUTIVE SUMMARY

The Port's Maritime and Economic Development Divisions are proposing to construct light industrial building space (storage, warehouse, manufacturing) within the northeast upland portion of Terminal 91 (T91) to support maritime industries and supply chains and address the shortage of leasable light industrial building space in alignment with current and future market demand in the Ballard Interbay Northend Manufacturing and Industrial Center (BINMIC). The Port has contracted with a design build team for design and construction consisting of Mithun Architects and Hoffman Construction Co. of WA (the "Design-Builder") to develop a plan for construction of up to 111,000 sf of spec light industrial space and associated infrastructure and to extend that infrastructure to support the development potential of an additional 160,000 sf of industrial space to be constructed by a 3rd party developer under the terms of to be negotiated ground lease. A State Environmental Policy Act Determination of Non-significance has been issued for the original project scope, which includes the development of up to 400,000 square

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feet of maritime light industrial space. A Major Phased Development (MPD) permit (type of Master Use Permit) is near issuance.

The current funding request would enable the project to further advance design and permitting, complete the development and negotiation of a GMP with the Design-Builder, and perform some early work and procurement of long-lead items.

The project, once constructed, will offer the opportunity to preserve and enhance industrial land that contributes to the local economic viability of maritime-focused operations in Seattle. It will diversify and modernize the Port's Maritime facilities, on T91 Uplands which is the Port of Seattle's largest operating Maritime facility with the foundation of environmental, financial, and community stewardship goals of the Port.

Permitted under this City of Seattle MPD permit and delivered using the Progressive Design-Build alternative delivery method, the program includes the following components:

- **Phase 1:** Approximately 6 acres in size at the northeast portion of T91 and consisting of approximately 111,000 SF of light industrial building space with associated amenities and utilities.
- **The associated utility infrastructure** for both phases includes new telecom/data distribution, a new sewer connection, stormwater management upgrades, and electrical upgrades required for Phase 1 and the pad-ready development of Phase 2.
- **Demolition** of three buildings near the Magnolia Bridge (W-39, M-28, M-19) as well as the C-155/156 building that is currently in the Phase 2 area. This scope is not part of the current SEPA document or Major Phased Development (MPD) permit.
- **Phase 2 Pad-ready:** If a successful ground lease is negotiated, and all necessary environmental review and permitting occur prior to finalization, the development of an anticipated 160,000 SF pad-ready site for additional industrial building space may be added to the project later. The requested design authorization for this scope is to help establish milestones and deliverables to aid in those ground lease negotiations.

JUSTIFICATION

Advancing the T91 Uplands Phase 1 project is necessary to preserve existing maritime uses, retain port-dependent tenants, sustain vessel activity at Piers 90 and 91, and provide space for new maritime innovation businesses. The project responds to demonstrated tenant demand and addresses functional obsolescence in critical upland facilities. Once completed, the project will allow existing tenants at T91 to maintain their address at T91 and relocate into modern space that will also allow for enhanced productivity and the possibility for expansion. Several tenants operate fishing and processing vessels that regularly berth at Piers 90 and 91. Seafood is offloaded directly from vessels into on-terminal cold storage, *while fishing equipment and gear are re-stocked from upland warehouse space*. Seafood products move seamlessly into packing, processing, staging, logistics, and distribution—entirely within the Terminal 91 footprint. This

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proximity is essential to maintaining product quality, operational efficiency, and vessel turnaround times. Many of these tenants are located within the C-155 and C156 buildings and adjacent yard area and have expressed interest in leasing the new buildings. It will also allow businesses that are part of the cohorts of maritime innovators going through the new Maritime Innovation Center to consider a permanent location in the new space at T91.

This development was originally proposed within the Port's 2016 Real Estate Strategic Plan, which generally recommended constructing approximately 700,000 square feet of new maritime light/flex industrial building space on the T-91 Uplands area north of the Magnolia Bridge over a 15 year period. This project will be a "downpayment" on this strategy.

Demolition of buildings W-39, M-28, and M-19 will eliminate the cost of maintaining vacant and unleaseable buildings and create potential revenue through yard storage and laydown lease opportunities. These buildings were originally built in the 1920s-1940s for varied industrial uses, including cold storage (W-39), food processing and maintenance shop (M-28), and industrial warehouse (M-19). All three buildings are well past their design life, carry safety hazards and liability associated with hazardous materials and fire suppression safety, and have no revenue generating potential identified in their current condition.

Diversity in Contracting

The project team in coordination with the Diversity in Contracting Department has included a 14% WMBE aspirational goal in the Progressive Design-Build major work contract. The design-build team, however, has committed to a higher 25% WMBE plus an additional 5% for veteran owned businesses.

DETAILS**Status:**

In October of 2023, the Commission authorized additional design funding to further develop Phase 1 of the Uplands development. As design progressed, it became clear that the project complexity and risks warranted a re-evaluation of the design-bid-build delivery method selected at the time. Among the risks identified, the challenging site conditions, the complex logistic of maintaining terminal operations throughout construction, the concurrent timeline of building demolition near the Magnolia Bridge, as well as the potential acceleration of the Phase 2 pad-ready scope made the project a candidate for alternative delivery.

Several procurement methods were assessed against the key objectives of better cost certainty, early stakeholder engagement, and more efficient scheduling and sequencing. Additionally, the analysis focused on how to best manage risks associated with concurrent projects on an active terminal, multiple stakeholders with varying seasonal demands, and limited entry points with a path to the site that traverses the entire terminal.

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Through this evaluation, progressive design-build was chosen over a traditional design-bid-build or standard design-build approach. Progressive design-build is unique in its early and continuous collaboration between an owner and the design-build team consisting of the contractor, architect, engineers, and other professionals. This early engagement allows the Port to work with a partner to accommodate increased complexity, mitigate risks, identify costs earlier, and manage stakeholder involvement.

The Port selected the Design-Builder in May of 2025 and proceeded to complete the Validation Period, which served to validate the site ground conditions and utilities, as well as the program and scope assumptions. Multiple information gathering sessions were held with Port staff and substantial site investigations were performed, such as geotechnical and environmental explorations using ground penetrating radar (GPR) and LIDAR scans to image obstructions below the surface.

An initial project basis of design and associated target budget and schedule have now been established, which were reviewed by an independent cost estimator. Part of this work included a collaborative assessment of project risks and associated contingencies, as well as the creation of a risk register that will be co-managed throughout the life of the project. As risks become mitigated or retired, funds will be re-allocated to prioritized enhancements. The funding requested would allow the project to advance into the GMP development phase of the contract when design and permitting will be progressed sufficiently for negotiations of a final GMP. Some targeted early work and long-lead items procurement would also be completed.

In addition to the validation work, the project completed all major reviews required for issuance of the Major Phased Development (MPD) permit, anticipated in February. An MPD is a unique permitting vehicle under the Seattle Land Use code, which allows for one land use permit to cover multiple development projects on one large site phased over a period of up to 15 years.

Scope of Work

This project combines three projects identified separately in the Capital Plan. They include:

- T91 Uplands Development Phase 1. C800158
- T91 Building (W-39, M-28, M-19) Demolition. C801372 – Expense
- T91 Uplands Phase 2 Infrastructure - Pad-Ready design. C801169

This funding request is for the Design, Permitting, GMP Development, early work, and long-lead items procurement for the following project components:

1. **Phase 1, C800158:** Developing three new maritime light industrial buildings of approximately 111,000 SF with associated utility and site infrastructure.
 - a. The assumption for these buildings is to be pre-engineered metal buildings (PEMB).
 - b. A site design with clear movement paths for vehicles, pedestrians, and non-motorized movement to support industrial safety best practices

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- c. Installation of a stormwater management system including low plantings to maintain operational visibility and use, new sewer lines and connections to the existing network, and new telecom and data infrastructure.
 - d. Electrical infrastructure that will tie into the existing grid.
 - e. Facility wayfinding, internal circulation, and lighting to support operations.
 - f. LEED Core & Shell, Silver level target or equivalent in a similar rating system.
 - g. Electric vehicle charging.
2. **Building Demolition, C801372 - Expense:** W-39 (connected to the Magnolia Bridge), M-28, and M-19 near the Magnolia Bridge.
- a. The demolition of these buildings will require environmental remediation such as asbestos removal, particularly in W-39.
 - b. Since W-39 is connected to the Magnolia Bridge via an apron, the scope includes coordination with SDOT to determine a suitable guard rail condition once the building is removed.
3. **Phase 2 Pad-ready, C801169:** design work as necessary to support negotiations of a ground lease for the potential construction of 160,000 SF of pad-ready site for additional industrial building space.
- a. This phase would only proceed if a successful ground-lease is negotiated.
 - b. It is sequenced to follow Phase 1 to allow the current tenants of Building C-155/156 to move into Phase 1 if desired.
 - c. Demolition of Buildings C-155/156.
 - d. Associated utility infrastructure will be brought to the pad for tie-in with a future ground lease tenant. It will benefit from and tie into Phase 1 enhancements for stormwater management, sewer, and data and telecom. Electrical infrastructure that will tie into the existing grid capacity.

Sustainability

The Port and the progressive design-build collaboration on Sustainability was initiated early in the project during an Eco-Charrette held as part of the Sustainable Evaluation Framework. Further analyses will be completed early in design and will weigh tradeoffs between various alternatives for energy conservation, EV charging, greenhouse gas emissions avoidance, potable water conservation, stormwater treatment, sustainable materials such as cross-laminated timber, waste diversion and use of recycled materials, sustainable transportation options, equity improvements for workers and the community, climate resilience, green space and habitat, operational efficiencies, and third-party certification opportunities. Results from these analyses will be presented to commissioners at the SEAC committee near 30% design, prior to construction authorization.

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Engagement

To support engagement moving forward, Port staff will be working with PRR, a top regional communications and engagement firm. Building off the success of a similar communications model piloted on the construction of the Maritime Innovation Center, External Relations staff will guide the work of the consultant who will track both internal and external communications. This will include construction updates, community briefings and notifications, and public meetings or messaging. Key constituents include the neighborhoods of Queen Anne and Magnolia, the Port's Neighbors Advisory Committee (NAC), members of the public who access the terminal, and the many diverse customers and tenants currently working at T91. Staff provided a project briefing to the NAC in May 2025

Schedule

The design and GMP development phase are scheduled to start in Q1 2026 and go through Q4 2026. During this time, permitting for Phase 1 and 2 site components as well as demolition will occur. This time will also be used to procure long lead items and early work packages. Toward the end of the GMP development phase in Q3, Commission will be asked to authorize construction. If authorized, construction would start in Q4 of 2026.

Activity

Commission design authorization	Q1 2026
Design start	Q1 2026
Sustainability Environment & Climate Committee meeting	Q2 2026
Commission construction authorization	Q4 2026
Construction Start	Q1 2027
In-use date	
• Phase 1	Q1 2028
• Phase 2 Pad	Q4 2028

Cost Breakdown

	This Request	Total Project
Design	\$14,085,000	\$24,185,000
Phase 1	\$11,500,000	\$20,300,000
Phase 2 Pad-Ready	\$1,585,000	\$1,885,000
Demolition	\$1,000,000	\$2,000,000
Environmental Remediation Liability	\$8,800,000	\$8,800,000
Phase 1 – Soil Remediation	\$1,000,000	\$1,000,000
Phase 2 – Soil Remediation	\$0	\$0
Demo – Abatement	\$7,800,000	\$7,800,000
Construction	\$13,300,000	\$98,000,000
Phase 1	\$5,000,000	\$89,700,000
Phase 2 Pad-Ready	\$0	\$0

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Demolition	\$8,300,000	\$8,300,000
Total	\$36,185,000	\$130,985,000
Phase 1	\$17,500,000	\$111,000,000
Phase 2 Pad-Ready	\$1,585,000	\$1,885,000
Demolition	\$17,100,000	\$18,100,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED**Alternative 1 – Phase 1, Phase 2 (Design only), and South Building Demolition:**

In this alternative, Phase 1 and Phase 2 and their associated infrastructure are authorized to proceed to complete the design and permitting. Additionally, this alternative includes the south building demolition and allows for early work and procurement.

Cost Implications:

1. Proceed with design funding, early work, and south demolition for the requested amount of \$36,200,000.

Pros:

1. Creates a modern campus that supports maritime industry and innovation, and the jobs they create.
2. Meets the growing demand for tenant space at T91, including from graduates of the Washington Maritime Blue incubator program.
3. Preserves the opportunity of a ground-lease development over the Phase 2 area.
4. Leverages cost and schedule efficiencies of a program-level approach.
5. Reduces escalation costs to complete these works now.

Cons:

1. Commits significant Port capital to the projects.
2. Total project Authorization is \$64M more than included in the 2026-2030 CIP and will require \$50M of other projects to be eliminated or postponed

This is the preferred alternative.

Alternative 2 – Phase 1 reduced scope (2 buildings), South Building Demolition, no Phase 2 Pad-ready:

In this alternative, Phase 1 building square footage is reduced by approximately 25,000 SF and does not include the pad-ready for Phase 2. The associated infrastructure is not reduced, which allows for the third building to be built in the future with increased tenant demand. The authorization is to complete the design, permitting, south demo, and early work.

Cost Implications:

1. This alternative would require \$32,000,000 less of capital capacity.

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2. Proceed with reduced design funding, early work, and south demolition. Due to an economy of scale and mobilization efficiencies (both with the Port and design-build team), design, permitting, and eventual construction costs are not decreased in direct proportion to the reduced square footage.
3. Removal of the design, construction, and soft costs for Ph2. However, savings here are tied to an opportunity cost of not leveraging the delivery method to increase design and construction efficiencies to prepare for a potential ground lease.

Pros:

1. Reduced overall project cost that allows some Port capital to be allocated to other priority projects and financial initiatives.
2. Reduced overall project schedule.
3. Still creates some new tenant space to meet market demand.

Cons:

1. Lose the opportunity to complete a ground lease.
2. Missed opportunity to combine related design and construction.
3. Sizing Ph1 infrastructure to accommodate a potential Ph2 pad means Ph1 is carrying a disproportionate infrastructure cost with no plan for potential recovery. In this alternative, this ratio is further skewed with less Ph1 square footage built at the start but with infrastructure built to accommodate approximately 185,000 SF of future development (Ph1 additional building of approx. 25k SF + Ph2 pad to support approx. 160k SF)
4. Not sizing Ph1 infrastructure to accommodate a potential Ph2 pad will lead to increased Ph2 Pad Ready costs and potentially increased site disruption to upgrade Ph1 infrastructure or add new parallel infrastructure.
5. Increased costs to complete the Ph2 Pad or Ph1 buildings at a later date.
6. Potential demolition liability for buildings C-155/156.

This is not the recommended alternative.

Alternative 3 – Status Quo and South Building Demolition

This alternative proceeds with demolition of the South Buildings but does not authorize the additional design funding of the progressive design-build contract to complete the design, permitting, and any early work on T91 Uplands.

Cost Implications:

1. This alternative requires \$18,100,000 of expense funding.
2. Loss of possible return on investment to date. Cost expended would be expensed.
3. Delay and escalation costs if the project is restarted at a later date.

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Pros:

1. Retain Port capital for other priority projects and financial initiatives.

Cons: Delay or cancellation of the project with the potential for:

1. Missed opportunity to provide needed space for the Maritime industry.
2. Loss of opportunity to benefit from synergy between various parallel projects on the terminal to best leverage the current delivery method.
3. A new contract, and subsequent delay, will be needed to pursue any ground lease opportunity and the associated infrastructure needed to support such development.
4. Demolition liability for the C-155/156 building since it is beyond its end-of-life.

This is not the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense Demo	Expense ERL	Total
COST ESTIMATE				
Original estimate				
• Phase 1	\$39,000,000	\$0	\$0	\$39,000,000
• Phase 2 Pad Ready	\$10,350,00	\$0	\$0	\$10,350,000
• Demolition	\$0	\$9,100,000	\$0	\$9,100,000
Previous changes – net				
• Phase 1	\$45,000,000	\$0	\$0	\$45,000,000
• Phase 2 Pad Ready	\$0	\$0	\$0	\$0
• Demolition	\$0	\$0	\$0	\$0
Current change				
• Phase 1	\$27,000,000	\$0	\$0	\$27,000,000
• Phase 2 Pad Ready* <i>Limited design only</i>	\$1,885,000	\$0	\$0	\$1,885,000
• Demolition	\$0	\$1,000,000	\$8,000,000	\$9,000,000
Revised estimate				
• Phase 1	\$111,000,000	\$0	\$0	\$111,000,000
• Phase 2 Pad Ready* <i>Limited design only</i>	\$1,885,000	\$0	\$0	\$1,885,000
• Demolition	\$0	\$10,100,000	\$8,000,000	\$18,100,000
AUTHORIZATION				
Previous authorizations				
• Phase 1	\$8,800,000	\$0	\$0	\$8,800,000
• Phase 2 Pad Ready	\$300,000	\$0	\$0	\$300,000

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• Demolition		\$1,000,000	\$0	\$1,000,000
Current request for authorization				
• Phase 1	\$16,500,000	\$0	\$1,000,000	\$17,500,000
• Phase 2 Pad Ready	\$1,585,000	\$0	\$0	\$1,585,000
• Demolition	\$0	\$9,300,000	\$7,800,000	\$17,100,000
Total authorizations, including this request				
• Phase 1	\$25,300,000	\$0	\$1,000,000	\$26,300,000
• Phase 2 Pad Ready	\$1,885,000	\$0	\$0	\$1,885,000
• Demolition	\$0	\$10,300,000	\$7,800,000	\$18,100,000
Remaining amount to be authorized				
• Phase 1	\$84,700,000	\$0	\$0	\$84,700,000
• Phase 2 Pad Ready	\$0	\$0	\$0	\$0
• Demolition	\$0	\$0	\$0	\$0

*Current Phase 2 Pad-Ready project estimate is \$16,630,000.

Annual Budget Status and Source of Funds

These projects are included in the 2026 plan of finance under committed CIPs:

- **C800158 T91 Uplands Development Phase 1** in the amount of \$50,000,000. The current total project estimate is \$111,000,000.
- **C801169 T91 Uplands Phase 2 Infrastructure - Pad-Ready** in the amount of \$9,000,000. The current project estimate for design only is \$1,885,000. The current estimated full project cost is \$16,630,000.

These projects will be funded by long-term general obligation bonds with debt service paid by the Tax Levy.

To accommodate the additional cost of the project, the 2026 to 2030 CIP will be revised with the following changes:

- C80002 MD Reserve (\$55M): Reallocate all reserve funding for the 5-year period to this project.
 - C800444 FT NW Dock Improvements (\$58M): Defer project start by 4 years.
 - C800999 Harbor Mooring Dolphins (\$19M): Remove project from the capital plan.
- C801169 T91 Uplands Phase 2 Infrastructure Pad-Ready (\$9M): Reduce to estimated cost of design.

The **T91 Building Demolition (W-39, M-28, M-19), C801372 – Expense**, was originally estimated in the amount of \$9,100,000 with \$8,000,000 included in the 2026 Non-Operational Budget. The current project estimate is \$18,100,000.

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This portion of the project will be funded by the General Fund.

Financial Analysis and Summary

Business Unit (BU)	Portfolio & Asset Management
Project cost for analysis*	\$111M
Effect on business performance	Phase 1 is expected to generate incremental revenue, producing approximately \$2 million in annual NOI before depreciation at stabilized occupancy. Annual depreciation of approximately \$2.8M is anticipated.
IRR/NPV (if relevant)**	NPV: (\$78M) MIRR: (0.40%)
Payback	30+ years

* The analysis excludes T91 Building Demolition (W-39, M-28, M-19) project cost. Upon completion of demolition and at stabilization, annual incremental revenue of approximately \$900K is expected from yard lease space.

**Lease revenue from Phase 2 Pad is not included at this time. Analysis will be updated in future Commission authorization/briefing.

Future Revenues and Expenses (Total cost of ownership)

The financial analysis assumes:

- Future revenue to increase by an average of 3% annually.
- Stabilized occupancy for the Phase I Development at 90%.
 - Assumes 70% warehouse/office blend and 30% warehouse only.
- The project analysis period is 30 years.
 - Future investments for HVAC upgrades and roof repairs have been included for the port developed buildings, however the analysis assumes tenant leases to be triple net leases with minimal port maintenance needed for leased spaces.
 - No residual value was applied to the development, nor were any costs for upgrades or demolition at the end of the assumed service life.
- Other assumed incremental costs include incremental maintenance costs of \$120K and escalating at 5% annually and approximately \$40K annually in property management costs.

ADDITIONAL BACKGROUND

This project has a Port Labor Agreement (PLA).

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 17, 2023 – The Commission authorized \$850,000 in funding to proceed with Design and Permitting of the Terminal 91 Buildings (W-39, M-28, M-19) Demolition project. (C801372).
- October 10, 2023 – The Commission authorized additional design funding to execute the remaining service agreements for professional design, Port-related costs for all project elements and improvements, and the inclusion of a 1 Percent for Art Program investment in the amount of \$4,500,000 (C800158).
- February 26, 2019 – The Commission authorized the execution of contracts for overall master planning, environmental review, permitting, and Phase I Design services in an amount not-to-exceed \$4,000,000, in support of the Port's development of the T91 Uplands Development project (C800158).
- November 27, 2018 – The Commission approved 2019 Capital Budget and Plan of Finance including T91 Uplands Development project.
- October 25, 2016 – The Commission received a briefing about the Real Estate Strategic Plan including the T91 Uplands Development project