



Memorandum

Date: February 8, 2018
To: Park Board of Commissioners
From: Cheryl M. Fraser, Division Director, Enterprise and Partnerships Division
Subject: New Approach to Magnuson Park Building 2 Redevelopment

Requested Board Action: This is an informational briefing; no board action is requested at this time. Seattle Parks and Recreation (SPR) is seeking investment partners to explore redevelopment opportunities for Building 2 at Warren G. Magnuson Park. This briefing describes a new approach to redevelopment and activation plans for this former building complex.

Project Description and Background: Building 2 is a large complex comprising approximately 144,000 square feet, including two aircraft hangars, workshops, and offices. The building is sited on a 4.87-acre (212,137 square feet) parcel. Originally used by the Navy for aircraft assembly and repair, the double airplane hangar was constructed in phases between 1929 and 1941. The building presents a unique opportunity for redevelopment, activation and positive use for park visitors, other tenants, stakeholders and adjacent property owners (University of Washington, Solid Ground, and Mercy Housing).

In 2005-2006, SPR conducted a Request for Proposal (RFP) process for several buildings within the park, including Building 2. The goal was to identify both for-profit and non-profit partners that could renovate existing structures within Magnuson Park, obtain a Certificate of Occupancy and operate recreational, arts or cultural activities. While several proposals were received no plans were submitted for redeveloping Building 2.

Starting in 2007-2008, the Department of Planning and Development (DPD, now SDCI) notified SPR that life/safety improvements were required in Building 2. In response, SPR engaged an engineering consultant to identify and quantify the minimum improvements required for obtaining a Certificate of Occupancy. The estimated cost for these improvements was \$25—\$30 million (today's dollars).

SPR conducted a second RFP process in 2016 and received two creative proposals yet both were ultimately rejected due to lack of funding in-hand and clear financing plans.

When SPR obtained the building, there was already at least 20 years of deferred maintenance on major building systems. Except for the Seattle Conservation Corps spaces, there are no functioning electrical or water systems, and the condition of sewer systems are unknown. The physical condition of the building is deteriorating and in need of significant repair. A large investment is needed soon or SPR must seriously begin to consider mothballing the structure.

Public Involvement Process: Not defined at this time.

Summary of Topics / Discussion of Issues

Open Invitation for Investment and Redevelopment: <http://www.seattle.gov/parks/about-us/do-business-with-us/current-opportunities/magnuson-park-building-2> The new approach involves seeking proposals from interested developers/investors and evaluating them on clear criteria with an emphasis on the ability to finance and complete a large construction project. This approach gives SPR more flexibility and fewer restrictions than a formal Request for Proposal (RFP) process. Additionally, it allows flexibility to explore ideas and conduct informal conversations with potential investors.

The review criteria for evaluating future projects with investment include the following:

- Clear demonstration of the ability to finance and complete the project;
- Detailed timeline and cost estimates for the project;
- A Project Development team that includes a project manager, architect, engineer, general contractor, and a fundraising team;
- City review of proposed uses for Building 2;
- Demonstration of public benefit;
- Stakeholder engagement and community outreach plan;
- Intent to develop building for recreation, arts or cultural activities in keeping with the National Park Service Use Covenant on the building;
- Alignment of the proposed use of Building 2 with the SPR Mission, the Magnuson Park Master Plan and the Magnuson Park 2012 Strategic Plan.

The criteria differ slightly for non-profit and for-profit funded projects. A for-profit developer must show they have 10% of the project costs in liquid assets; a nonprofit developer would need to demonstrate they have 5% of project costs in liquid assets.

The two groups that responded to the 2016 RFP, *Magnuson Park Center for Excellence (archery, lacrosse, other sports, and a digital gaming school)* and *Magnuson Studios (filming soundstages)*, are still interested in developing Building 2 and are working on increasing their financing capacity. SPR has also received word of possible interest from several other investment groups and private businesses. All options are being considered.

Budget: In 2003, SPR commissioned the “Sand Point Potential Partnership Report” (Cedar River Group). This report included thorough on-site building investigations and the review of archived construction drawings. The estimated project cost was \$14,700,000 including hard and soft costs. Using published construction cost indexes, it was estimated that in 2017 dollars the same work would cost at least \$24 million. Since then additional building, seismic and energy code requirements have been adopted, and city-owned buildings must meet Title II and Title III Americans with Disability Act (ADA) requirements. For example, ADA requirements would call for multiple elevators/lifts instead of one. Based on this information, SPR anticipated that the total construction cost could be within \$25-\$30 million to obtain a Certificate of Occupancy (C of O). This is a basic cost and does not include finishes or equipment for a specific use or uses, or site work (utility connections, sidewalk, road, other small structure renovations).

Schedule: There is no set timeline, however, we are actively looking for investors and potential partners that complement Seattle Parks and Recreation’s mission. The condition of Building 2 will determine at what point SPR considers mothballing the structure rather than securing investment.

Additionally, this project potentially qualifies for the Federal Historic Preservation Tax Credit program which ends in 2019.

The Magnuson Park Advisory Committee (MPAC) has urged SPR to seek investment and develop the building. SPR anticipates some community pushback if we choose to mothball the building without a good faith effort to find investors. If a tenant is not found by 2019, we may begin a mothballing process, which typically involves a new roof and boarding up windows and doors. The estimated cost to mothball the building is \$2--\$4 million.

Additional Information:



