

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

ACTION ITEM

Date of Meeting February 5, 2013

DATE: January 13, 2013

TO: Tay Yoshitani, Chief Executive Officer

FROM: Kenneth Lyles, Sr. Manager, Fishing and Commercial Vessels, Real Estate Div.
Rebecca Schwan, Real Estate Manager, Portfolio Management
Rod Jackson, Project Manager, Seaport Project Management

SUBJECT: Authorization for Design Funding – Fishermen’s Terminal Net Shed #9 Roof Overlay (CIP #800527) and Maritime Industrial Center Building A-1 Roof Replacement (CIP#800571).

	Fishermen’s Terminal Net Shed 9 Roof	Maritime Industrial Center Building A-1 Roof
Amount of This Request:	\$80,000	\$88,000
Source of Funds	Tax Levy	Tax Levy
Estimated Total Project Cost	\$498,000	\$1,456,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to proceed with design, and preparation of construction documents for (1) The Fishermen’s Terminal Net Shed #9 Roof Overlay Project for an estimated cost of \$80,000, bringing the current authorization for this project to \$130,000 for a total estimated project cost of \$498,000; and (2) the Maritime Industrial Center Building A-1 Roof Replacement Project for an estimated cost of \$88,000, bringing the current authorization to \$138,000 for a total estimated project cost of \$1,456,000.

SYNOPSIS:

This memo requests authorization to proceed with the design of a new roofing system at Fishermen’s Terminal (FT) Net Shed #9 and at the Maritime Industrial Center (MIC) Building A-1. Both roofing systems are at the end of their service lives. Preliminary design is complete and the projects are ready to move into the final design phase.

Staff considered the FT 25-year Plan when reviewing how to proceed with Net Shed #9. The 25-year Plan includes development scenarios that could result in the removal of Net Sheds #7 and #8 or #3 and #4 but all development scenarios retain FT Net Shed #9. This net shed building is

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located in the southeast section of the property (see attached Exhibit A) and the area is not considered viable for development.

BACKGROUND:

In 2012, the Port initiated condition assessments and preliminary designs on both the FT Net Shed #9 and the MIC A-1 Building. The assessments determined each roof system is at the end of its service life.

The FT Net Shed #9 building was constructed in 1987. It is being used as general storage primarily by commercial fishers. The existing corrugated metal roof covers approximately 12,000 square feet (sf) and is approximately 25 years old. The building is currently 84% occupied. The Port intends to install an additional roofing system to overlay the existing roof that will provide a 20-year warranty life.

The MIC Building A-1 was constructed in the early 1930's. It is used as tenant offices and storage and is currently 100% occupied. The existing built-up roof covers approximately 21,000 square feet (sf) with two layers of existing built-up roofing applied. The Port intends to demolish and replace the existing built-up roofing layer systems with a new built-up roofing layer system that will provide a 30-year warranty life.

PROJECT JUSTIFICATION:

The proposed projects would preserve important building assets at FT and MIC, the revenues associated with the leased space, and extend the lives of both building structures. Deferring or foregoing this work will result in continued deterioration of both roof system components. Eventually this could lead to additional leakage, detrimental impacts to operations, and the need for more costly replacements. In addition, it could lead to loss of rent and a portion of revenues. Proactive asset stewardship is the key to reducing the total cost of ownership to the Port over time.

Project Objectives:

- Preserve the structural integrity of the building structures.
- Preserve future revenues from each of the buildings.
- Complete project on time and within budget.
- Investigate environmentally sustainable practices during the design and incorporate into the project design and construction where practical.
- Minimize disruptions to facility operations and customers.

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PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for the FT roof includes the evaluation and design for:

- A new roofing system that will overlay the existing corrugated metal roof.
- The installation of access ladders for the roof.
- Fall protection and attachments to the roof.
- Include environmentally sustainable components and construction methods as appropriate.

The scope of work for the MIC roof includes the evaluation and design for:

- A new built-up roofing system that would replace the existing roofing system.
- Skylight infill voids.
- Roof insulation to be in compliance with new building codes.
- Fall protection and attachments to the roof.
- Include environmentally sustainable components and construction methods as appropriate.

Schedule:

Construction on each project is expected to occur in late summer or early fall of 2013. The current project schedules are as follows:

Commission Approval for Design	February 2013
Permit/Design Complete	March/April 2013
Commission Approval for Construction	May 2013
Advertise for Bids	May/June 2013
Construction	FT: July. 2013 thru Oct. 2013 MIC: July. 2013 thru Oct. 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

	FT Net Shed 9 Roof	MIC Building A-1 Roof
Previous Authorizations (<i>Facility Managers</i>)	\$50,000	\$50,000
Current request for authorization	\$80,000	\$88,000
Total Authorizations, including this request	\$130,000	\$138,000
Remaining budget to be authorized (<i>pending design recommendations</i>)	\$368,000	\$1,318,000
Total Estimated Project Cost	\$498,000	\$1,456,000

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<i>Project Cost Breakdown:</i>	This Request	Total Project
	FT Net Shed 9 Roof	MIC Building A-1 Roof
Construction	\$311,000	\$1,049,000
Construction Management	\$56,000	\$147,000
Design	\$32,000	\$41,000
Project Management	\$68,000	\$114,000
Permitting	\$4,000	\$14,000
State & Local Taxes	\$27,000	\$91,000
Total	\$498,000*	\$1,456,000**

*The current FT Net Shed #9 \$498,000 total estimated project costs have decreased from \$606,000 total estimated project costs in the 2013 Plan of Finance at the time of the design funding authorization request. This is because the existing roof will be overlaid with a new roofing system rather than demolishing and replacing it. The existing fall restraint system will be upgraded to accommodate the new roofing system.

**The current MIC A-1 Building \$1,456,000 total estimated project costs have increased from \$570,000 total estimated project costs in the 2013 Plan of Finance at the time of design funding authorization request. This is because the existing two layers of roofing systems, according to the 2006 City of Seattle Building Code must be demolished and replaced with a new roof. This cost will also include a new fall restraint system that must be added to the project roof per OSHA rules (*No Fall Restraint was ever installed on the MIC building*).

Budget Status and Source of Funds:

FT Net Shed #9 Roof Overlay Project

This project was included in the 2013 Plan of Finance under CIP #C800527, FT Net Shed #9 Roof Overlay Project for \$606,000; however, preliminary costs show a lower total cost of approximately \$498,000. This project will be funded by the tax levy.

MIC Building A-1 Roof Replacement Project

This project was included in the 2013 Plan of Finance under CIP #C800571, MIC Building A-1 Roof Replacement Project for \$570,000; however, preliminary costs show a higher total cost of approximately \$1,456,000. The additional funds required for this project will be available due to other projects (such as the P69 N Apron Corrosion Control project) coming in at a lower cost than assumed in the 2013 Plan of Finance. This project will be funded by the tax levy.

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Financial Analysis and Summary:

Applies to both FT Net Shed #9 and MIC A-1 Roof projects:

CIP Category	Renewal/Enhancement
Project Type	Renewal/Replacement
Risk adjusted discount rate	N/A
Key risk factors	<ul style="list-style-type: none">• Actual cost could exceed current estimates.• Future revenues from buildings could be less than currently expected.

Fishermen's Terminal Net Shed 9 Roof	
Project cost for analysis	\$498,000
Business Unit (BU)	Real Estate – Harbor Services – Fishermen's Terminal
Effect on business performance	<p>This project is a renewal and replacement project and, accordingly, this project preserves Net Operating Income (NOI) rather than creates new NOI.</p> <p>NOI generated by Net Shed 9 is approximately \$94,500 per year excluding <u>major maintenance/compliance expenses</u>.**</p> <p>As a result of this project, annual depreciation expense will increase by approximately \$24,900 per year based on a 20-year manufacturer's warranty of useful life resulting in a corresponding decrease in Net Operating Income After Depreciation.</p>
IRR/NPV	N/A

Note**: Net Shed 9, including this roof replacement, expected future electrical upgrades and the code compliance project is expected to generate approximately a 7% return over the next 25 years.

Maritime Industrial Center Building A-1 Roof	
Project cost for analysis	\$1,456,000
Business Unit (BU)	Real Estate – Commercial Properties

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Effect on business performance	This project is a renewal and replacement project and accordingly, this project preserves Net Operating Income (NOI) rather than creates new NOI. NOI generated by the Maritime Industrial Center Building A-1 building is approximately \$275,000 per year excluding <u>major maintenance and tenant improvement expenses</u> . As a result of this project, annual depreciation expense will increase by approximately \$48,500 per year based on a 30 year manufacturer's warranty of useful life resulting in a corresponding decrease in Net Operating Income After Depreciation.
IRR/NPV	N/A

Lifecycle Cost and Savings:

During final design a Life Cycle Cost analysis (LCCA) will continue to be developed to identify the lowest total cost of ownership for the replacement roofing system. Annual Operating and Maintenance costs for the roofs are forecasted to decrease for the FT and the MIC buildings because of the replacement and installation of the new roofing systems. The Life Cycle Cost analysis (LCCA) for each building preliminarily determined which of the desired roof design options were appropriate for each facility. The designs for FT and MIC will use these desired LCCA design options as the project replacement designs are developed.

STRATEGIC OBJECTIVES:

The proposed projects support the Port's Century Agenda to position the Puget Sound region as a premier international logistics hub by doubling the economic value of the fishing and maritime cluster.

ENVIRONMENTAL SUSTAINABILITY:

Construction implementation will include practices to avoid and minimize potential negative environmental effects. The projects have identified construction and maintenance methods, materials, and practices for effective roof replacement work while avoiding release of deleterious materials to the environment. Timely asset preservation will extend the service life of the existing infrastructure, as an alternative for avoiding more environmentally disruptive and resource/materials consumptive large scale structure replacement actions.

BUSINESS PLAN OBJECTIVES:

The mission of FT and MIC is to operate and maintain facilities and services that support the North Pacific Fishing Fleet and other maritime industries, while working toward breakeven

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financial performance. The strategies for accomplishing the mission are to effectively maintain the assets, promote environmental stewardship and operate safe facilities. The project supports the mission and strategies by proactively maintaining the assets and preserving the revenue stream.

Dry locker, or net shed, storage is an important feature and service that FT provides to our commercial fishing customers. These customers rely on covered, enclosed storage facilities for storing weather sensitive mechanical equipment, gear or other types of property used in the fishing industry and in the sustainability of their respective fishing vessels. The majority of the customers who lease space in Net Shed #9 are small independent fishers. Having their equipment/gear/commodities close at hand to the vessel is important.

TRIPLE BOTTOM LINE SUMMARY:

Preserving existing assets defers high-impact and high-cost asset replacement, and therefore, reduces environmental impact and supports the economic vitality by reducing Port costs and generating construction jobs.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Increase the maintenance inspections and repair of the corrugated and built-up roofing systems as continued peeling, flaking, layer delamination and leaks appear. While postponing the replacement costs, this alternative allows the continuation of retrogressive deterioration of the roofing systems by increasing maintenance and emergency repair costs for the roofs. This is not the recommended alternative.

Alternative 2: Proceed with the design and replacement of the FT corrugated and MIC built-up roof systems. This will reduce future risks and consequences to the buildings, internal appurtenances including tenant and staff disruptions, should a leak in the roofing system occur. **This alternative is recommended for implementation.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

See attached Exhibit A

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None