

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

ACTION ITEM

Item No. 5e

Date of Meeting April 23, 2013

DATE: April 16, 2013

TO: Tay Yoshitani, Chief Executive Officer

FROM: Rod Jackson, Capital Project Manager, Seaport/Real Estate Project Management
Rebecca Schwan, Real Estate Manager, Portfolio & Asset Management

SUBJECT: Maritime Industrial Center Building A-1 Roof Replacement (CIP #C800571)

Amount of This Request: \$1,318,000

Source of Funds: Tax Levy

Est. State and Local Taxes: \$ 91,000

Est. Jobs Created: 16

Est. Total Project Cost: \$1,456,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to advertise for construction bids, execute a construction contract, utilize in-house staff to do portions of work, and fund the construction phase to complete the Maritime Industrial Center Building A-1 Roof Replacement in an amount not to exceed \$1,318,000 for a total estimated project cost of \$1,456,000.

SYNOPSIS:

This memo requests authorization to proceed with the replacement and construction of a new roofing system at the Maritime Industrial Center (MIC) Building A-1 located along Ship Canal and close to Fishermen's Terminal. A-1 is the main building on the site, and it is 100% leased. The roofing system is at the end of its service life. The final design is complete and the project is ready to move into the construction phase. This project was included in the 2013 plan of finance at a cost of \$570,000. The additional \$886,000 in funds required for this project will be available due to the availability of funding from other projects, such as the lower cost of the P-69 North Apron Corrosion Control project.

BACKGROUND:

The MIC Building A-1 was constructed in the early 1930s. It is used as tenant offices and storage and is currently 100% occupied. The existing built-up roof system covers approximately 21,000 square feet with two layers of existing built-up roofing applied. In 2012, the Port initiated condition assessments and preliminary design for the MIC A-1 Building. The assessment determined the roofing system is at the end of its service life.

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The Port intends to demolish and replace the existing built-up roofing layer system with a new built-up roofing layer system that will provide a 25-year warranty life and will include the reinstallation of skylights at each of the existing openings that were previously sealed off. This project will also include a new fall restraint system that must be added to the roof per Occupational Safety and Health Administration (OSHA) rules. On February 5, 2013, the Port Commission authorized funding for design and permitting of the Maritime Industrial Center (MIC) Building A-1 roof project. With the design complete, staff requests Commission approval to proceed with the construction phase of the project.

PROJECT JUSTIFICATION:

The proposed project would preserve and extend the life of an important building asset at MIC and the revenues associated with the leased space. Deferring or foregoing this work will result in continued deterioration of 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 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 structure.
- Preserve future revenues from the building.
- Complete project on time and within budget.
- Incorporate environmentally sustainable practices during the project construction.
- Minimize disruptions to facility operations and customers.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for the MIC roof includes:

- Install a new built-up roofing system that would replace the existing roofing system.
- Install new skylights at existing infill voids.
- Install roof insulation to be in compliance with new building codes.
- Install fall protection and attachments to the roof per OSHA regulations.
- This project will also include environmentally sustainable components and construction methods as appropriate.

Schedule:

Construction on the project is scheduled as follows:

Commission Approval for Design	February 2013 (Complete)
Permit/Design Complete	March/April 2013
Commission Approval for Construction	April 2013
Advertise for Bids	April 2013
Construction	May 2013 through Oct. 2013

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FINANCIAL IMPLICATIONS:

<i>Budget/Authorization Summary:</i>	Total Project
Original Budget	\$0
Previous Authorizations	\$138,000
Current request for authorization	\$1,318,000
Total Authorizations, including this request	\$1,456,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$1,456,000

<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$1,049,000	\$1,049,000
Construction Management	\$113,000	\$147,000
Design	\$30,000	\$41,000
Project Management	\$25,000	\$114,000
Permitting	\$10,000	\$14,000
State & Local Taxes (estimated)	\$91,000	\$91,000
Total	\$1,318,000	\$1,456,000*

**The current MIC A-1 Building \$1,456,000 estimated project costs increased from the \$570,000 estimated project cost included in the 2013 Plan of Finance because the scope of the project increased as a result of new/better information. According to the 2006 City of Seattle Building Code, the existing two layers of roofing systems must be demolished and replaced with a new roof. The cost also includes reinstalling skylights in existing opening and a new fall restraint system that must be added to the roof per OSHA rules.

Budget Status and Source of Funds:

This project was included in the 2013 Plan of Finance under CIP #C800571, MIC Building A-1 Roof Replacement Project for \$570,000. The additional \$886,000 in funds required for this project will be available due to other projects such as the P69 North 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.

Financial Analysis and Summary:

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 this building could be less than currently expected.
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 creating new NOI. NOI generated by the Maritime Industrial Center A-1 building is approximately \$275,000 per year excluding major maintenance and tenant improvement expenses. As a result of this project, annual depreciation expense will increase by approximately \$58,000 per year based on a 25-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:

A lifecycle cost analysis (LCCA) has been developed to identify the lowest total cost of ownership for the replacement roofing system. Annual operating and maintenance costs for the roof are forecasted to decrease for the MIC building because of the replacement and installation of the new roofing system. The lifecycle cost analysis for the building determined the desired roof design and deemed it appropriate for the facility. The design for the MIC roof used the lowest appropriate LCCA design as the project replacement design was developed.

STRATEGIC OBJECTIVES:

The proposed project supports 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 project 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 MIC is to operate and maintain facilities and services that support the North Pacific Fishing Fleet and other maritime industries, while working toward breakeven financial performance. The strategies for accomplishing the mission are to effectively maintain the assets,

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promote environmental stewardship and operate safe facilities. The roof project supports the mission and strategies by proactively maintaining the assets and preserving the revenue stream.

TRIPLE BOTTOM LINE SUMMARY:

Preserving existing assets defers high-impact and high-cost asset replacement, and therefore, reduces environmental impact while supporting economic vitality by reducing Port costs and generating construction jobs. Small business opportunities will be reviewed with support from the Office of Social Responsibility.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

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

Alternative 2: Proceed with the project as described to minimize total cost of ownership to the Port. This will reduce future risks and consequences to the MIC building and 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:

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On February 5, 2013, the Port Commission approved \$88,000 for the design and permitting phase of the MIC Building A-1 Roof Replacement Project (CIP #800571) for a total authorization of \$138,000.