

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5g
Date of Meeting May 14, 2013

DATE: May 6, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Rod Jackson, Capital Project Manager, Capital Development
Kenneth R. Lyles, Sr. Manager, Fishing and Commercial Vessels, Real Estate
SUBJECT: Authorization for Design Funding of Fishermen's Terminal Net Shed Building No. 9 Roof Overlay (CIP #C800527)

Amount of This Request:	\$80,000	Source of Funds:	Tax Levy
Est. State and Local Taxes:	n/a	Est. Jobs Created:	n/a
Est. Total Project Cost:	\$498,000		

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to proceed with design and preparation of construction documents for the Fishermen's Terminal Net Shed Building No. 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.

SYNOPSIS:

This memo requests authorization to proceed with the design of a new roofing system on Fishermen's Terminal Net Shed Building No. 9. The roofing system is at the end of its service life. Preliminary design is complete and the project is ready to move into the final design phase. Fishermen's Terminal is the Home Port of the North Pacific Fishing Fleet and the long-term plan has assumed that net shed storage will continue to be a core function at Fishermen's Terminal. Net shed storage is one of the amenities at Fishermen's Terminal that helps retain fishermen as tenants and is part of the infrastructure that will be required to double the economic value of the fishing and maritime sectors, as envisioned by the Century Agenda. Therefore, approval of this design-funding request is not expected to affect the long-term development plan for the terminal. This project was included in the 2013 Plan of Finance.

BACKGROUND:

The Fishermen's Terminal Net Shed No. 9 Building was constructed in 1987. The building is currently 84% occupied. It is being used as general storage primarily by commercial fishers. The existing corrugated metal roof covers approximately 12,000 square feet and is approximately 25 years old. In 2012, the Port initiated condition assessments and preliminary

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design on the Fishermen's Terminal Net Shed No. 9 Building. The assessment determined the roof system is at the end of its service life. The Port intends to install a new roofing system to overlay the existing roof that will provide a 20-year warranty life.

PROJECT JUSTIFICATION:

The proposed project would preserve important building assets at Fishermen's Terminal; the revenues associated with the leased space, extend the life of the building structure and minimize Port liability. Deferring or foregoing this work will result in continued deterioration of the 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 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.
- Investigate environmentally sustainable practices during the design and incorporate into the project design and construction where practical.
- Minimize disruptions to facility operations and customers.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for the Fishermen's Terminal Net Shed No. 9 Building Roof includes the evaluation and design for:

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

Schedule:

Construction on the project schedule is as follows:

Commission Approval for Design	May 2013
Permit/Design Complete	Nov/Dec 2013
Commission Approval for Construction	December 2013
Advertise for Bids	Jan/Feb 2014
Construction	May 2014 thru Sept 2014

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FINANCIAL IMPLICATIONS:

<i>Budget/Authorization Summary:</i>	Capital	Expense	Total Project
Original Budget	\$0	\$0	\$0
Previous Authorizations	\$50,000	\$0	\$50,000
Current request for authorization	\$80,000	\$0	\$80,000
Total Authorizations, including this request	\$130,000	\$0	\$130,000
Remaining budget to be authorized (pending design recommendations)	\$368,000	\$0	\$368,000
Total Estimated Project Cost	\$498,000	\$0	\$498,000

<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$0	\$311,000
Construction Management	\$30,000	\$56,000
Design	\$22,000	\$32,000
Project Management	\$24,000	\$68,000
Permitting	\$4,000	\$4,000
State & Local Taxes (estimated)	\$0	\$27,000
Total	\$80,000	\$498,000*

*The current Fishermen's Terminal Net Shed No. 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.

Budget Status and Source of Funds:

This project was included in the 2013 Plan of Finance under CIP #C800527, Fishermen's Terminal Net Shed No. 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.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Renewal/Replacement
Risk adjusted discount rate	NA
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.
Project cost for analysis	\$498,000
Business Unit (BU)	Real Estate – Harbor Services – Fishermen's Terminal
Effect on business performance	This project is a renewal and replacement project and, accordingly, preserves Net Operating Income (NOI) rather than creating new NOI.

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	<p>NOI generated by Net Shed No. 9 is approximately \$92,000 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 8.3% return over the next 25 years.

Lifecycle Cost and Savings:

During final design, a lifecycle 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 roof are forecasted to decrease for Net Shed No. 9 because of the replacement and installation of the new roofing system. The LCCA for the building preliminarily determined which of the roof design options were appropriate for the facility. The design for Fishermen's Terminal Net Shed No. 9 Roof will use the desired LCCA design option as the project replacement design is developed.

STRATEGIC OBJECTIVES:

This project supports the Port's Century Agenda strategy to "Position the Puget Sound region as a premier international logistics hub" and the objective of "doubling the economic value of the fishing and maritime cluster industries" by:

- Investing in and preserving a valuable Port asset.
- Continuing to provide fishermen with needed net shed storage space for their gear/materials in close proximity to their vessels and business.
- Maintaining the long-term revenue generating capability of the Fishermen's Terminal Net Shed Building No. 9.
- Fulfilling lease commitments and obligations to the Port's tenants.

ENVIRONMENTAL SUSTAINABILITY:

Construction implementation will include practices to avoid and minimize potential negative environmental effects. The project has 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.

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BUSINESS PLAN OBJECTIVES:

The mission of Fishermen's Terminal is to operate and maintain facilities and services that support the North Pacific Fishing Fleet and other maritime industries, while working toward break-even financial performance for the property as a whole. The project supports the Port's Century Agenda goal of doubling the economic value of the fishing and maritime industries by providing fishermen and other tenants with needed storage space in close proximity to their vessels and business.

Dry locker, or net shed, storage is an important feature and service that Fishermen's Terminal 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 No. 9 are small independent fishers. Having their equipment, gear, and 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 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 roofing system 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 system by increasing maintenance and emergency repair costs for the roof. This is not the recommended alternative since the roof is at the end of its service life.

Alternative 2: Proceed with the design and replacement of the corrugated roof system. This will reduce future risks and consequences to the building and internal appurtenances, including tenant and staff disruptions, should a leak in the roofing system occur. **This alternative is recommended.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On February 5, 2013, staff presented and requested design funds for both the Maritime Industrial Center (MIC) Building A-1 Roof replacement project (CIP #C800571) and the Fishermen's Terminal Net Shed Building No. 9 (CIP #C800527). Commission approved the MIC roofing project but postponed the Fishermen's Terminal Net Shed Building No. 9 item.