

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4e
Date of Meeting September 27, 2016

DATE: September 19, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Senior Director, Capital Development
Janice Zahn, Assistant Engineering Director, Construction Services
SUBJECT: Fishermen's Terminal Building C-15 HVAC Improvement Change Order 20

Cost Credit to the Port: \$180,000

ACTION REQUESTED

Request Commission authorization to execute Change Order 20 to Contract MC-0317415, Fishermen's Terminal Building C-15 HVAC Improvements, for a cost credit to the Port of \$180,000 and an increase to the project duration of 427 calendar days.

SYNOPSIS

On October 25, 2013, the Port executed a construction contract with Kassel & Associates, Inc. for the project in the amount of \$2,967,000.00 and a contract completion date of June 22, 2014. The contract duration was previously increased by 57 calendar days via executed change orders for a new completion date of August 18, 2014. Actual Substantial Completion was not achieved for the project until October 19, 2015, a project delay of 427 calendar days.

The majority of the project delay was caused by faulty equipment supplied by the manufacturer. It was discovered in the fall of 2014 that the equipment had a design defect impairing its ability to heat the building adequately. Diagnosing the problem, designing a repair, and implementing the repair procedure was a time consuming process and was not entirely completed until late August 2015. The remainder of the schedule delay was due to the Contractor not supplying all required close out documentation in a timely manner.

During Level 2 Dispute Resolution Process, the Port negotiated a final settlement for impacts to the Port due to Contractor-caused project schedule delays. Issuance of this Change Order, with a cost credit to the Port in the amount of \$180,000 on the \$3 million contract and an increase to the contract duration of 427 calendar days, will settle all outstanding claims with the Contractor. No funding is associated with this authorization request.

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BACKGROUND

Building C-15 at Fishermen's Terminal was constructed in 1987. Building occupants include four restaurants – Chinooks and Little Chinooks (Anthony's Home Port), the Bay Café, and the Highliner Public House – leased offices, and various retail businesses. This project helps maintain the long-term revenue generating capability of the building and reduces overall energy consumption by replacing outdated and worn out equipment with energy efficient equipment and controls.

The previous HVAC system for the C15 Building consisted of 19 "rooftop" units ranging in size from 2.5 tons to 25 tons of cooling capacity. The newly installed system consists of 12 primary heat pumps, 3 make-up air units, and 3 smaller wall-mounted heat pumps. The primary heat pumps are high efficiency and range in size from 6 tons to 31 tons of cooling capacity. This project also installed a fully integrated digital controls system that allows the entire HVAC system to be monitored from a single computer located at the facility. This system can also be accessed remotely and has the capability to send email notifications if there is a malfunction in the system.

Due to the building's structural design and limited space available in the two mechanical wells, each heat pump had to be custom designed and fabricated so it would fit in the available space and not overload the building. Unfortunately, the manufacturer's original custom design for the supplied equipment was flawed and the units did not provide adequate heating to supply the building. Correcting this deficiency accounted for the majority of the Project schedule delay. Due to this Contractor-caused delay, the Port incurred additional costs for which it negotiated a settlement with the Contractor.

The negotiation process to achieve the final settlement with the Contractor was protracted and difficult. The General Contractor and primary subcontractor were both small businesses. A third small business went into receivership during the dispute resolution processes. Many Port Departments were included in the process and worked together to reach this final settlement including Construction Management, Seaport Project Management, Engineering Design, Maritime Real Estate Management, Small Business Programs, Legal, and the Office of the CEO.

PROJECT JUSTIFICATION AND DETAILS

This project installed a new energy efficient HVAC System and fully integrated digital controls system at the C-15 Building at Fishermen's Terminal to replace an aging system that had outlived its useful life. With the exception of the units that serve the four restaurants, the Port is responsible for the maintenance and repair of the HVAC system. Replacing the system serves to protect and maintain the long-term revenue stream of the building.

Project Objectives

- Replace the existing HVAC system with an energy efficient system.
- Replace the two existing HVAC control systems.

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- Maximize tenant comfort and flexibility in future tenant space adjustments.
- Minimize construction impacts to existing tenants.
- Replace the existing HVAC system with the most cost-effective solution taking into account full lifecycle costs (initial cost of equipment, maintenance, energy efficiency, longevity, etc.).
- Create a design for this replacement that allows for easy access for system maintenance and replacement in the future.

Project Schedule

- Contract Executed: October 25th, 2013
- Substantial Completion Issued: October 19th, 2015
- Final Project Duration: 726 Calendar Days

FINANCIAL IMPLICATIONS

<i>Contract Cost Breakdown</i>	<i>Total</i>
Original Contract Amount	\$2,967,000.00
Current Executed Change Order Amount	\$281,349.86
Current Contract Amount	\$3,248,349.86
Final Change Order Amount with CO 20	\$101,349.86
Final Contract Amount with CO 20	\$3,068,349.86
Final Remaining Contract Contingency	\$143,537.14

STRATEGIES AND OBJECTIVES

This project supports the Port's Century Agenda strategy to be the greenest most energy efficient port in North America and to promote small business growth and workforce development by:

- Replacing an old worn out HVAC system with a new more energy efficient one.
- Installing a new digital controls system to run the system as efficiently as possible.
- Investing in and preserving a valuable Port asset that provides retail, office, and commercial space to many small businesses.
- Fulfilling lease commitments and obligations to Port tenants including two providing maritime training services and one providing industrial hygiene training services for the local workforce.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not authorize the issuance of the Change Order. If this Change Order is not authorized the Dispute Resolution Process will continue, further delaying Project close out, increasing Port costs to continue negotiations, and creating risk of potential litigation.

This is not the recommended alternative.

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Alternative 2 – Authorize the issuance of this Change Order for a deductive amount of \$180,000 and 427 calendar days, which compensates the Port for impacts incurred during the period of project schedule delay. If executed, this will be the final Change Order on this Project and settles all outstanding claims with the Contractor to close out the Contract.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 8, 2013 – The Commission authorized additional project funding in the amount of \$900,000 bringing the total project authorization to \$4,887,000.
- September 10, 2013 – Presented additional funding request in the amount of \$900,000 to the Commission to bring the total project authorization to \$4,887,000.
- May 14, 2013 – The Commission authorized advertisement for construction, execution of a construction contract, and funding of the construction phase in the amount of \$3,130,000 to complete the project, bringing total project authorization to \$3,987,000.
- May 11, 2010 – The Commission authorized the design funding of \$807,000, bringing total project authorization to \$857,000.
- November 30, 2009 – The Commission was briefed on the project status.