



AGENDA MEMORANDUM

Item No.

4e

ACTION ITEM

Date of Meeting

April 11, 2017

DATE: April 4, 2017

TO: Dave Soike, Interim Chief Executive Officer

FROM: John Hall, Project Manager, Marine Maintenance
Susie Archuleta, Real Estate Manager
Melinda Miller, Director, Portfolio and Asset Management, Economic Development Division

SUBJECT: P66 Elevators 2, 3 and 4, Modernization (C800813)

Amount of this request: \$250,000

Total estimated project cost: \$1,795,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) award and execute a major public works contract with the low responsive and responsible bidder for the Pier 66 Elevators 2, 3, and 4 Modernization Project, and (2) increase the project budget by \$250,000, due to bids exceeding the original estimates. The new authorized total project cost will be \$1,795,000.

EXECUTIVE SUMMARY

The Commission authorized advertisement for bids for the Pier 66 Elevators 2, 3, and 4 Modernization on May 24, 2016. Two bids were received on February 2, 2017 for \$876,781, and \$1,030,000. The lowest responsible bid exceeded the engineer's estimate of \$707,000 by 24%. This represents a bid irregularity requiring further Commission action prior to contract award in accordance with the Port's General Delegation of Authority, Section 4.2.3.4.

Notwithstanding the precision of our estimating methods, the availability of any recent bids from the airport, or the differences between airport and maritime operations, the effects of an extremely competitive market prevailed. Port staff will continue to review project estimates relative to bid tabulations to ensure market conditions are accurately reflected in the project budgets.

Port staff has reviewed and evaluated the bids and recommends award of the construction contract to the lowest responsible bidder. This requested action also includes a budget increase of \$250,000. The new authorized total project cost will be \$1,795,000.

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JUSTIFICATION

The elevators needing modernization serve levels 1 through 4 at the Paul Schell Center at Pier 66. They are integral to the operation of Bell Harbor International Conference Center (BHICC) and the cruise terminal. Two of the elevators are critical access points connecting the conference center and cruise terminal to the Bell Street garage where many attendees and travelers park. These two elevators are also used by the general public for access to the rooftop deck. The third elevator is primarily used by BHICC for back of the house hospitality-related access from the loading dock. These elevators were installed in 1994, and their reliability has declined to the point where action is needed to fulfill the Port's landlord responsibility to this property. They are required for day-to-day operations of the facility so it is important to minimize the time that they are out of service and work must be scheduled around conference and cruise operations. The proposed project will support the BHICC and cruise operations by significantly reducing service calls, improving performance, and enhancing aesthetics.

DETAILS

Elevator #2 is a critical elevator to BHICC because it handles most of the load in and out volumes required for conference and event set up and break down. It is technically classified as a service elevator but is often used as a freight elevator. This elevator requires frequent service calls in order to remain in operation. This is a significant burden to the terminal operators at each occurrence. Due to the age of the elevator, its heavy use, and recent performance issues, modernization of the controls and mechanical system are recommended.

A consultant hired to assess the elevators in 2014 reported the following about elevator #2:

This elevator is almost twenty years old and is nearing the end of its normal life expectancy. Budgeting should begin to modernize the elevator controls to a newer vintage microprocessor-based controller. The car operating panel and hall buttons would be upgraded at the same time. The addition of a closed-loop door operator and related hall gear will increase the reliability. These upgrades will increase the elevator's reliability and safety and add another fifteen to twenty years of service.

Elevators #3 and #4 are located at the west end of the Bell Street Bridge. They provide facility access to the public, conference attendees, and cruise passengers. The elevator electrical and mechanical components are in need of upgrade in order to maintain the reliability and safety of the elevators. The consultant reports on these elevators are substantially the same as that of elevator #2.

Scope of Work

Modernize the elevator controls, the door operation, and the signal fixtures, update the motors for all three elevators. In addition, upgrade elevator #2's car platform so that it is suitable for use as a freight elevator, since its users typically call upon it to act as one.

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The contract for modernization of all three elevators will be executed this year and will include the procurement of parts and materials for all three elevators.

Schedule

The modernizations should be completed as soon as possible in order to provide the level of customer service our tenants expect.

Activity

Commission design authorization	2016 Q2
Design start	2016 Q2
Commission construction authorization	2016 Q2
Construction start	2017 Q4
In-use date	2018 Q2

Cost Breakdown

	This Request	Total Project
Design	\$0	\$301,000
Construction	\$250,000	\$1,073,000
Total	\$250,000	\$1,795,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Reject all bids and develop a revised, expanded scope that adds other elevators currently slated for modernization in the next two to three years.

Cost Implications: Forfeits all or part of the nearly \$200,000 that has already been expended on this project.

Pros:

- (1) Including additional elevators in the contract could result in a greater number of bids and as well as more competitive bids.

Cons:

- (1) A minimum of six months will be required to get a revised scope of work back out for bid.
- (2) This option poses an unacceptable risk to the project schedule. The Port’s hospitality and cruise operations tenants fully expect the elevators to be operating properly, modernized, and back in service by mid-spring 2018.
- (3) Market conditions are difficult to predict, consequently, the amount of competing elevator work could potentially increase before new bids are considered, and the relative price may actually increase, resulting in the same number of, or fewer, bids.
- (4) This alternative would likely forfeit the Port’s effort and investment on this project, so far.

This is not the recommended alternative.

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Alternative 2 – Accept the low bid and complete the project.

Cost Implications: Increases the project budget by \$250,000.

Pros:

- (1) Keeps the project delivery on schedule, with the modernizations complete before the 2018 cruise season.
- (2) The cost is more predictable, since there is currently a responsive bid.
- (3) Makes use of the investment of time and money the Port has already made for this project.

Cons:

- (1) The project budget is increased beyond what was previously approved.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$1,300,000	\$0	\$1,300,000
Current change	\$442,000	\$0	\$442,000
Revised estimate	\$1,742,000	\$0	1,742,000
AUTHORIZATION			
Previous authorizations	\$1,545,000	\$0	\$1,545,000
Current request for authorization	\$250,000	\$0	\$250,000
Total authorizations, including this request	\$1,795,000	\$0	\$1,795,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project was included in the 2017 Plan of Finance under committed CIP #C800813 in the amount of \$1,545,000. This request for an additional \$250,000 will be funded by lower spending for CIP #C800196 T-102 Building Roof HVAC Replacement, which was also included in the 2017 Plan of Finance.

Financial Analysis and Summary

Project cost for analysis	\$1,795,000
Business Unit (BU)	Economic Development and Maritime Divisions
Effect on business performance (NOI after depreciation)	The project will not generate any incremental revenue. Total depreciation expense from this project is estimated at \$89,750 per year based on a twenty year asset life. The allocation of actual project costs to specific assets

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	will be finalized near the end of the project, estimated to be the end of the second quarter in 2018. Net Operating Income after depreciation for this facility will decrease by the associated depreciation expense of this project.
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

Future Revenues and Expenses (Total cost of ownership)

The modernization will eliminate the frequent and costly service calls by the elevator maintenance contractor, which are currently needed to keep the elevators operating. Elevator #2 is currently requiring the most service calls.

ATTACHMENTS TO THIS REQUEST

None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

May 24, 2016 – The Commission authorized the Chief Executive Officer to complete design and permitting, prepare construction documents, advertise, award, and execute a construction contract to modernize elevators 2, 3, and 4 at Pier 66. The total approved project budget was \$1,545,000.