

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6i

Date of Meeting June 2, 2009

DATE: April 30, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Rod Jackson, Capital Project Manager

SUBJECT: Terminal 91 W-40 Building Demolition Project.

ACTION REQUESTED

1. Request Port Commission approval to increase the authorized budget by \$165,000 for a new total authorization of \$1,026,000 to cover additional project cost.
2. Request for authorization to expand the existing project scope to include a new forklift ramp at the south east portion of the W-40.

SYNOPSIS

Because of unforeseen building conditions and operational concerns, project costs have exceeded the authorization. Additionally the need to re-establish the forklift ramp on the southeast corner of the building has been defined.

BACKGROUND

Demolition for the Terminal 91 (T91) W-40 building south bay has been completed. After final close out and punch list discussions with the current tenant CityIce, it was determined a new forklift ramp was to be installed after the demolition of building W-40 was complete. Because the ramp design was not included within the original scope of the project, staff is requesting authorization to expand the existing project scope to include a new (ecology block/ asphalt) forklift ramp at the south east portion of the W-40 building. To complete the forklift ramp and to close out the project; additional funds are needed to pay for project costs that exceeded the current project authorization. Staff is unable to pay outstanding invoices and project costs for the approved \$861,000 authorization because preliminary demolition work performed by in-house labor and others did not include the sufficient and necessary funding to support the original project scope. Unforeseen repairs at building W-40 consisted of; valve house repairs, valve house insulation, water line and air compressor-line piping including increased allocated

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overhead charges which led to higher than expected project costs. Issues that impacted design and construction cost included;

- Lack of adequate “as-built” drawings.
- Maintaining building operations during construction.
- Maintaining and re-routing building systems including fire alarms, telephones, sprinklers, electrical power and water.

Staff is now requesting approval of an additional \$165,000 to pay for outstanding project costs and installation of a new forklift ramp at the south end of the T-91 W-40 building.

LESSONS LEARNED

The lessons learned from the T91 Building W40 Modification Project were:

- Utilize the new “Encumbrance Report” developed by the Project Controls Group to recognize where the current spending is relative to the current project budget.
- When utilizing in-house Engineering, designate only one contact to provide and supply Project Management with up to date estimates and estimate revisions.
- Complete “Project Definitions” early on “Fast Track” projects.
- Provide additional project contingency for “old buildings and remodels”.

PROJECT DESCRIPTION AND JUSTIFICATION

Demolition of the south bay of Building W-40 is complete. Expanding on the existing project scope, this portion of the project will include a new (ecology block/ asphalt) forklift ramp at the south east portion of the W-40 building to allow continued tenant access. The objectives of the T91 Building W40 Modification Project were:

- Creating greater traffic ingress and egress capacity for future T91 cruise terminal by demolishing the southernmost bay of Building W40 and paving the resultant vacant area prior to start of 2009 cruise season.
- Terminal reconstruction design that is compatible with the Port’s long range plan for T91.
- Minimize project impacts to existing building tenant, terminal operations and surrounding communities.
- Environmental stewardship, including compliance with environmental storm water review and permitting requirements.
- Meet or exceed the Port’s financial criteria.
- Meet strategic asset management criteria.

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PROJECT SCOPE OF WORK AND SCHEDULE:

Completed activities

- Asbestos abatement removal
- Utility relocations
- Installation of structural cross-bracing
- Roof connections
- Removed tested and disposed of discovered contaminated soils
- Demolished 6,300 square feet – comprising the south bay of Building W-40 at T91
- Construction and demolition work commenced in September 2008 with the project completed ahead of schedule in late January 2009.

Future Activities

- Pay additional project expenses due to increased labor and allocated costs during in-house demolition.
- Construct a new forklift ramp at the south east portion of the W-40 (to be completed by Port staff).
- With approval and authorization today, the new forklift ramp for W-40 will be complete in late July 2009.

STRATEGIC OBJECTIVES:

This project supports the Port strategy to “Ensure Airport and Seaport Vitality” by maximizing asset utilization and preserving existing assets.

BUSINESS PLAN OBJECTIVES:

- Creating greater traffic ingress and egress capacity for future T91 cruise terminal by demolishing the southernmost bay of Building W40 and paving the resultant vacant area prior to start of 2009 cruise season.
- Terminal reconstruction design that is compatible with the Port’s long range plan for T91.
- Minimize project impacts to existing building tenant, terminal operations and surrounding communities.

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FINANCIAL ANALYSIS:

Budget/Authorization Summary

	Approved Budget	Revised Forecast
Construction	\$502,000	\$ 596,000
Design	\$160,000	\$ 228,000
Construction Management	\$ 86,000	\$ 118,000
Environmental Permitting	\$ 12,000	\$ 37,000
Project Management	\$ 61,000	\$ 47,000
Contingency	\$ 40,000	\$ 0
Total	\$861,000	\$1,026,000

Source of funds

This project was included in the 2009 Plan of Finance under CIP #C800265 in the amount of \$894,000. The incremental \$165,000 needed for increased project costs is available due to anticipated timing delays in other 2009 Draft Plan of Finance committed projects, such as the purchase of container support yard land.

The source of funds will be the general fund.

CIP Category	Renewal/Enhancement												
Project Type	Renewal/Enhancement												
Risk adjusted Discount rate	7.5%												
Key risk factors	N/A												
Project cost for analysis	\$1,026,000												
Business Unit (BU)	Seaport Industrial Properties												
Effect on business performance	The \$165,000 increase in project costs will result in an increase in depreciation expense of approximately \$16,000 per year.												
NPV/IRR	The impact of the increase in project costs on NPV and IRR is shown below. <table border="1"><thead><tr><th>Commission Memo</th><th>NPV (in \$000's)</th><th>IRR</th><th>Payback (in years)</th></tr></thead><tbody><tr><td>Prior Authorization - Sept 9, 2008</td><td>\$1,161</td><td>18.4%</td><td>5</td></tr><tr><td>Current Request - June 2, 2009</td><td>\$1,012</td><td>15.8%</td><td>5</td></tr></tbody></table>	Commission Memo	NPV (in \$000's)	IRR	Payback (in years)	Prior Authorization - Sept 9, 2008	\$1,161	18.4%	5	Current Request - June 2, 2009	\$1,012	15.8%	5
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REVIIOUS COMMISSION ACTIONS OR BRIEFINGS:

- On September 9, 2008, the Commission approved request for authorization to (1) authorize additional funds in the amount of \$411,000; (2) execute a contract for WP 103901, Terminal 91 Building W-40 partial demolition, (3) enter into professional services agreements as needed and; (4) approval for an 11 year term lease with CityIce Cold Storage for Building W-40.
- On June 24, 2008, the Commission approved request for authorization to complete design, permitting, asbestos abatement, in-house demolition and advertise for outside construction demolition of approximately 6,300 square feet of warehouse including paving of the area and possible modification of perimeter fencing; and enter into professional service agreement for services as needed, authorize additional funds in the amount of \$250,000, for a total authorization of \$450,000.
- On March 25, 2008, the Commission approved request for authorization to negotiate lease with CityIce Cold Storage and approve funds for design and permitting.