

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting August 11, 2009

DATE: July 24, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Mike McLaughlin, Director, Cruise and Industrial Properties
Scott Pattison, Manager, Industrial Properties and Business Development
Mark Longridge, Project Manager, Capital Development Division

SUBJECT: The Design, Permitting and Material Procurement Funding for North Harbor Island Mooring Dolphins (CIP #C800182).

ACTION REQUESTED

Request Port Commission authorization for the Chief Executive Officer to:

1. Enter into agreements to complete design and permitting for the replacement of four (4) mooring dolphins at the north end of Harbor Island.
2. Procure long lead materials required to complete the above project within the current schedule.

The total amount of this request is \$480,000, out of a total estimated project cost of \$1,900,000.

SYNOPSIS

This request falls under and is part of the “Industrial Moorage Initiative” which was presented as a Policy and Staff Briefing in public session on June 3, 2008. Maintaining an adequate supply of functional Industrial Moorage is central to operating a healthy working harbor, preserving the marine industrial sector, and buttressing the regional economy. By proceeding with this project, the Port protects our current business, provides for future growth in this sector, safeguards the “working waterfront,” and supports maritime jobs.

The Capital Development Division (CDD) requests approval of design funding for improvements at the Terminal 18 (T18) phase two site identified in the Seaport Planning Barge Layberth study of July 2008. The improvements will further accommodate displacement of moorage at Terminal 91 (T91) with the implementation of Transportation Worker Identification Credential (TWIC) in February 2009 and activation of cruise operations in April 2009.

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These proposed improvements are to include replacement of 4 existing failed timber mooring dolphins with 4 new steel dolphins approximately 50' north of the shoreline. The completion of this facility would provide 2 new berths, able to accommodate a 400' barge each, with the potential for rafting, and generate additional revenue to the Seaport.

Crowley Maritime Corporation, a port tenant, had previously hired Harbor Consulting Engineers to develop the mooring dolphin design for the north end of T18 and had also applied for and received the required permits to complete the work. The port as owner of the adjacent property and approved user of the submerged lands was the co-applicant on the permit applications. The permits issued for this construction allows the Port to proceed with this work.

The proposed plan is for the Port to purchase this design from Crowley and have Harbor Consulting Engineers modify it under a Category I consulting contract to meet Port drafting and Public Works bidding requirements. Harbor Consulting Engineers is currently registered on the Port's consultant roster. This approach would also result in significant savings to the Port in both money and time compared to developing a new design independently.

To meet the current schedule for completion in 2010, staff plans to pre-procure long lead steel members needed for reconstructing the failed mooring dolphins to avoid construction delays due to long lead times identified in acquisition planning. All purchases would be competitively bid through the Port's Central Procurement Office. The current estimate for long lead steel materials (30" pipe piling as defined in the design) is \$295,000

PROJECT DESCRIPTION AND JUSTIFICATION:

Design, Permitting & Pre-Procurement

- Purchase the current completed design package from Crowley Maritime Corporation, which is consistent with the scope of work described in the permits, including all drawings, calculations, cost estimates and specifications.
- Execute a Category I professional service agreement with Harbor Engineering Services for providing services to update the design to Port standards and the cost estimate to current market pricing.
- Prepare a construction bid set inclusive of plans, specifications and engineers' cost estimates for completing this work and present to Commission for authorization to construct.
- Review all permits and include any permit conditions required in the construction bid sets and material procurement packages.

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- Pre-procure all long lead steel members.

PROJECT SCOPE OF WORK AND SCHEDULE:

- The project consists of the replacement of 4 existing timber mooring dolphins at the north end of T18. The current dolphins have failed and are not in useable condition. The replacement dolphins would be steel 4 leg moment frame platforms with sleeved fender piles on the north face as proposed in the Barge Moorage study of January 2008.
- All Permits required for this work are in hand at the present time and based on the Harbor 4 leg moment frame design.
- Crowley Maritime has agreed in principle to sell the design to the Port for \$40,000, significantly below their costs to date. The additional effort by Harbor Engineering required to bring the design up to Port bidding standards is estimated at \$20,000, and associated bidding and construction services are estimated at an additional \$20,000.
- For the T18 North Mooring Dolphins to be available for the spring 2010 cruise season, all in-water work for this project will need to be completed by the start of the permit fish window on February 15, 2010. All work is expected to be completed and the facility in service by May 1, 2010.

STRATEGIC OBJECTIVES:

- This work, if authorized, is aligned with the Industrial Moorage Initiative as it is intended to preserve and expand berth facilities in the harbor to provide for a vibrant Seaport that adequately serves the requirements of all essential sectors of the maritime community.
- The T18 North Mooring Dolphins were leased for a period of years prior to deteriorating into age-related disrepair, at which time the lease for these mooring dolphins expired and they ceased being used.
- Demand for their recapitalization has been expressed by industry for the following uses: Seasonal barge moorage in winter, when barge service to ice-restricted regions of Alaska stops; year-round moorage for fuel barges that operate in and around the harbor and Puget Sound; support for local shipyards by berthing vessels awaiting or upon completion of dry-dock repairs; daily moorage, as a preferred substitute to mooring at the Duwamish Head Buoys; and seasonal moorage during tribal treaty fishing periods to reduce congestion on the Lower Duwamish Waterway and Elliott Bay.

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- The Port is in receipt of several letters from industry supporting recapitalization of these mooring dolphins for reasons outlined above.
- If constructed, these mooring dolphins would provide additional moorage to alleviate the current shortage caused by the relocation of Cruise operations to T91, and provide a convenient alternative to the current practice of rafting barges in the lower Duwamish.
- The proposed offshore location also would provide moorage for vessels subject to Maritime Transportation Security Act (MTSA), without the added cost burden of security fees currently required for landside berths. This provides the site with a cost advantage for MTSA vessels such as fuel barges over other landside sites.
- Best management practices will be deployed in selection of materials, work practices and ongoing total cost of ownership.
- After completion of the project, we expect to be able to lease or rent the moorage, bringing in additional revenue to the Seaport.

BUSINESS PLAN OBJECTIVES:

Completion of this work will provide 2 additional berths for barge layberth with rafting capacity in time for the 2010 Cruise season. Combined with the 1,600' provided by the Phase I projects currently underway, this would substantially restore capacity to the peak barge usage of 2,300' identified in the Harborwide Barge Moorage Study of July 2008.

While the rate of return on this project is lower than the Port's target rate for capital investment, the project supports the future viability of the barge industry served within in our harbor.

FINANCIAL ANALYSIS

Budget/Authorization Summary

Previous Authorizations (prior Seaport authorization)	\$20,000
Current request for authorization	\$480,000
Total Authorizations, including this request	\$500,000
Remaining budget to be authorized (estimated cost of construction)	\$1,400,000

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Project Cost Breakdown

Design & Permitting (purchase and completion)	\$160,000
Long Lead Material Pre-Procurement	\$295,000
Contingency (10%)	\$45,000
Total	\$500,000

Source of Funds

This project was included as a Business Plan Prospective project under CIP # C800182 in the 2009 Draft Plan of Finance. This project will be funded from the general fund.

Financial Analysis Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal and Replacement
Risk adjusted Discount rate	8.5%

Key risk factors	<ul style="list-style-type: none"> The timing of in-water work is constrained by closure for the fish window, anticipated to be 2/15/10 Schedule to complete work in 2010 is tight. Minor delays could result in a delayed construction schedule. Construction costs may vary as steel prices are highly volatile since original estimate of 1/2008 The estimated financial return on this project is based on existing demand for barge layberth moorage, including vessels displaced from T91. Financial performance will be lower if usage or market rates are lower than estimates used in the related financial analysis. Marketing efforts must be implemented in order to maximize utilization and revenue for this site, as well as for other Port Phase I barge moorage locations throughout the harbor. 																								
Project cost for analysis	\$1,900,000																								
Business Unit (BU)	Dock Operations																								
Effect on business performance	<p>Estimated impact on Net Operating Income (NOI) and NOI after Depreciation for years 2009 through 2013 is shown below.</p> <table border="1"> <thead> <tr> <th>NOI (in \$000's)</th> <th>2009</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>NOI</td> <td>\$0</td> <td>\$55</td> <td>\$130</td> <td>\$176</td> <td>\$180</td> </tr> <tr> <td>Depreciation</td> <td>\$0</td> <td>(\$63)</td> <td>(\$95)</td> <td>(\$95)</td> <td>(\$95)</td> </tr> <tr> <td>NOI After Depreciation</td> <td>\$0</td> <td>(\$8)</td> <td>\$35</td> <td>\$81</td> <td>\$85</td> </tr> </tbody> </table>	NOI (in \$000's)	2009	2010	2011	2012	2013	NOI	\$0	\$55	\$130	\$176	\$180	Depreciation	\$0	(\$63)	(\$95)	(\$95)	(\$95)	NOI After Depreciation	\$0	(\$8)	\$35	\$81	\$85
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SUSTAINABILITY AND LIFE CYCLE COSTS:

This is a request for authorization for design, permitting and procurement in preparation for authorization(s) to advertise and subsequently award for construction. As such, total costs and life-cycle costs will be provided upon bid opening. The nature of this work is to replace the existing deteriorated timber structures with steel structures.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing. With the displacement of barge layberth space at T91 during periods of overlap between the cruise and fishing industry seasons, the Port would not have adequate barge layberth space for current and future tenants, even with all phase one barge layberth sites operational. For these reasons, Alternative 1 is not recommended.

Alternative 2: Replace the existing dolphins with a new design starting from a blank sheet, either with in house staff or consultant design. This would likely require a revision or resubmittal of the permit documents, be more costly than purchasing and modifying the current design, and not meet the current schedule for 2010 completion. For these reasons, Alternative 2 is not recommended.

Alternative 3: Replace the current timber dolphins using the purchased design and modifying it to Port standards. Pre-purchase the long lead steel piling, and construct the dolphins to accommodate current barge layberth moorage requirements and obligations, subject to subsequent Commission authorization to award for construction. **This is the recommended alternative.**

OTHER INFORMATION:

In addition to revenues that accrue to the Port, Industrial Moorage creates economic activity for the region via employment and the purchase of goods and services. Moreover, some Industrial Moorage users provide essential services to other vessels in the harbor, such as berthing assistance and bunkering, and landside throughout the region (commercial, life safety and military).

The Seaport's harbor has been constrained seasonally from meeting the berthing requirements of some maritime sectors, forcing vessels to berth elsewhere in Puget Sound at additional cost and creating additional vessel emissions in the process. Moreover, it makes for a less efficient harbor for our customers, large and small. The advent of TWIC, implemented in February 2009, placed additional capacity constraints on the Seaport's moorage capacity. Repositioning cruise from T30 to T91 further displaced moorage available in our harbor.

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- Authorization for construction of Phase I Barge Layberth improvements at Terminal 25, Pier 28 and Terminal 46 - October 14, 2008
- Policy and Staff Briefing – Industrial Moorage Initiative - June 3, 2008