

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

|                        |                         |
|------------------------|-------------------------|
| <b>Item No.</b>        | <u>10a</u>              |
| <b>Date of Meeting</b> | <u>February 3, 2009</u> |

**DATE:** January 22, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** Lindsay Pulsifer, General Manager, Marine Maintenance

**SUBJECT:** Authorization for design, asbestos abatement, and construction totaling \$425,000 for the replacement of the windows at the Fishermen's Terminal West Wall Building.

**ACTION REQUESTED:**

Request for authorization for the Chief Executive Officer to design, purchase, perform asbestos abatement and installation to replace the existing windows at the West Wall Building with new energy efficient windows, and ratification of expenses already incurred.

**SYNOPSIS:**

The Real Estate Division requests approval to complete design, procure 182 new vinyl windows, remove the existing single pane windows, abate the asbestos and lead paint in the old window glazing and paint, and to install new energy efficient vinyl double paned windows. These windows are original to the 1954 building and are in poor condition. Marine Maintenance crews will self-perform the installation and a Small Works contract will be bid to do the demolition and asbestos abatement. The funding for the design, procurement, and installation was included in the Marine Maintenance Operations Expense budget. Funding of the regulated materials will be from the Environmental Reserves. Due to misunderstanding of notification requirements, \$141,000 has already been spent.

**PROJECT DESCRIPTION AND JUSTIFICATION:**

**Background:**

Building C-3 (West Wall Building) at Fishermen's Terminal, an office building constructed in 1954, has the original single pane exterior windows. The windows were installed using glazing that has been tested to contain up to 40% chrysolite (white

asbestos) and the trim paint has tested positive for lead. Over the years, the glazing has become brittle and is falling out from around the windows onto the ground below. Asbestos on the ground can contaminate the soil and vegetation in the area and potentially anyone who comes in contact with it. Once the glazing falls out, the windows no longer have a weather-tight seal. They rattle and leak and water damage to the walls and wood surrounding the windows has occurred in some locations. In order to replace the windows, the asbestos must be abated as they are removed.

Originally, this project was budgeted for \$350K in the 2008 operations budget as expense work. In March of 2008, the Maintenance Shop was asked to adjust the operations budget to help pay for the audit costs and the decision was made to push out ½ of the budget for the West Wall Window Replacement to 2009. Design, environmental permitting, and procurement of the windows occurred in 2008 using the Marine Maintenance Operations Expense budget. At that time, Marine Maintenance staff understood (or misunderstood) that the project was included in the approved Operation's Expense budget and that we were authorized to spend the budgeted amount. Based on the newly completed Resolution 3605 and the Delegation Matrix, we now understand that we need to bring this before the Commission to obtain additional authorization to spend the remaining authorized budget and to document the spending that has already taken place.

The total project cost is currently estimated to be \$425,000. During the course of the preliminary work, Maintenance crews found that the windows were not a quick "in and out" replacement. Modifications to the window framing will be needed and additional contingency was added because crews found water damage in the framing of the test case windows. The abatement costs also increased because we determined that the project duration would most probably be longer due to the complexity of removing and replacing the windows.

### **Project Statement:**

Design, purchase, abate, and replace all of the windows at the West Wall Building at Fisherman's Terminal for \$425,000 by June 1, 2009.

### **Project Objectives**

- Retain revenue from the tenants
- Meet tenants schedules and needs
- Incorporate environmental improvements
- Maintain asset value
- Comply with all permitting requirements
- Complete the project on budget and within the proposed schedule
- Comply with environmental requirements
- Minimal impact to tenant operations

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

#### **Scope of work:**

The entire project consists of architectural design, permitting, the purchase and installation of 182 exterior windows, asbestos and lead paint abatement, and project and

construction management. The abatement and disposal will be contracted out using the small works bidding process and performed by a certified asbestos abatement contractor under the supervision of Port Construction Services. The installation of the new windows and trim as well as repairs due to water damage will be “self-performed” by Marine Maintenance carpenters and laborers. Using Port of Seattle Maintenance crews for the construction portion of this project was deemed the most cost effective method for getting the work completed.

**Schedule:**

|                          |                            |
|--------------------------|----------------------------|
| Design                   | August 2008-November 2008  |
| Permitting               | August 2009-January 2009   |
| Purchase Windows         | October 2008-December 2008 |
| Commission Authorization | February 2009              |
| Demo and Installation    | April 2009-May 2009        |
| Project Closeout         | May 2009 - July 2009       |

**STRATEGIC OBJECTIVES:**

**Ensure Airport and Seaport Vitality**

The project supports the business strategies to “Ensure Airport and Seaport Vitality” by maintaining a valuable asset of the Port and ensuring continued revenue from existing tenants and additional revenue from a new tenant. It also supports the Port’s continued commitment to the Fishing Industry because a majority of the tenants (70%) are in the fishing or maritime industry and provide support for the commercial fishing fleet.

**Exhibit Environmental Stewardship through our Actions**

The project supports the Port’s commitment to the environment by reducing the amount of asbestos that is released into the environment and disposing of the asbestos containing materials properly. The new windows will improve the insulating qualities, reduce solar heat gain, and reduce energy required for heating and air conditioning.

**BUSINESS PLAN OBJECTIVES:**

This project furthers the Port’s ability to continue to lease a building that has been consistently leased (95% occupancy for the past 7 years) with rental rates at market for a Class C building.

**FINANCIAL ANALYSIS:**

**Budget/Authorization Summary**

|  |           |
|--|-----------|
| Previous Spending in 2008                    | \$123,533 |
| Previous Spending in 2009                    | \$17,467  |
| Total Previous Spending                      | \$141,000 |
| Current request for authorization            | \$425,000 |
| Total Authorizations, including this request | \$425,000 |
| Remaining budget to be authorized            | \$0       |

## **Project Cost Breakdown**

|  |                  |
|--|------------------|
| Construction Costs: Abatement                                | \$118,000        |
| Construction Costs: Installation                             | \$145,000        |
| Materials: Windows and Lumber                                | \$96,000         |
| Sales Tax  | \$17,000         |
| Design/Planning  | \$7,000          |
| Other (Environmental, permits, planning)                     | \$10,000         |
| Project Management, Admin, Allocated Overhead, Contingencies | \$32,000         |
| <b>Total</b>   | <b>\$425,000</b> |

### **Source of Funds:**

The \$123,533 spent on the West Wall Building Window Replacement Project in 2008 was included in the 2008 Operating Budget. The remaining costs to be spent in 2009, in the amount of \$301,467, are covered in the 2009 Operating Budget as follows:

- \$175,000 as a specifically identified item in the deferred maintenance budget
- \$8,467 in the unassigned portion of the deferred maintenance budget
- \$118,000 for asbestos abatement included in Environmental Reserve expense as per GASB 49

The source of funds for the project has been and will be the General Fund except for the asbestos abatement portion of the costs which will be funded from the Tax Levy as part of the Environmental Reserve.

### **Financial Analysis Summary**

|                                |   |                              |            |                              |              |           |          |
|--------------------------------|---|------------------------------|------------|------------------------------|--------------|-----------|----------|
| CIP Category                   | Renewal/Enhancement   |                              |            |                              |              |           |          |
| Project Type                   | Renewal and Replacement   |                              |            |                              |              |           |          |
| Risk adjusted Discount rate    | N/A   |                              |            |                              |              |           |          |
| Key risk factors               | 1) Scheduling the window replacement with tenants could result in delayed timing of the project.<br>2) Construction costs may increase if required work is more extensive than currently known.   |                              |            |                              |              |           |          |
| Project cost for analysis      | \$425,000   |                              |            |                              |              |           |          |
| Business Unit (BU)             | Portfolio Management – Fishermen’s Terminal Uplands   |                              |            |                              |              |           |          |
| Effect on business performance | This is a renewal and replacement project and, accordingly, this project preserves Revenue and Net Operating Income (NOI). Revenue from the West Wall Building is currently about \$190,000 per year with NOI estimated at approximately \$150,000 per year excluding any other major maintenance expenses<br>As a result of this project, Operating Expenses were higher by \$123,533 in 2008 and will be higher by \$301,467 in 2009. |                              |            |                              |              |           |          |
| IRR/NPV                        | Financial analysis – based on preserving Net Operating Income (proxy for cashflow): <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td><b>NPV</b><br/>(in \$000's)</td> <td><b>IRR</b></td> <td><b>Payback</b><br/>(in years)</td> </tr> <tr> <td><b>\$825</b></td> <td><b>NM</b></td> <td><b>3</b></td> </tr> </table>   | <b>NPV</b><br>(in \$000's)   | <b>IRR</b> | <b>Payback</b><br>(in years) | <b>\$825</b> | <b>NM</b> | <b>3</b> |
| <b>NPV</b><br>(in \$000's)     | <b>IRR</b>  | <b>Payback</b><br>(in years) |            |                              |              |           |          |
| <b>\$825</b>                   | <b>NM</b>   | <b>3</b>                     |            |                              |              |           |          |

## **SUSTAINABILITY AND LIFE CYCLE COSTS:**

- The maintenance costs for the past three years have been:
  - 2006: \$43,639
  - 2007: \$31,222
  - 2008: \$52,697 (includes painting the exterior of the building but does not include the costs associated with this Window Replacement Project.)Maintenance will continue to be a cost for this building, but many of the higher cost maintenance items have been addressed. The roof is only 7 years old and the building has been painted (inside and out) in the past three years.
- The windows at the West Wall Building are single pane windows that are well beyond the end of their useful life. Installing new, energy efficient double paned windows will prevent water damage from leaky windows and preserve and maintain the asset.
- The West Wall Building has been well maintained, is in good condition, and the expectation is that it will continue to be a viable, revenue producing asset for the next 10-15 years.
- Remediation of the asbestos in the window glazing reduces the Port's risk.

## **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

### Alternative 1: Do nothing

Under this alternative no improvements or upgrades are made to the existing window systems. The glazing will continue to deteriorate, operational and maintenance costs will continue to rise; the windows will continue to leak and rattle and could possibly fall out. This alternative is not recommended.

### Alternative 2: Tear down the building and replace it with a parking lot.

This alternative was looked at because the building is one of several older buildings that the Port owns and, at some point, the continued viability of the building must be considered. The determination was made that, while this building is over 50 years old, it still maintains a positive cash-flow and is expected to remain usable for the next 10-15 years.

This alternative is not recommended

### Alternative 3: Replace the exterior windows in the C-3 Building

The asbestos containing glazing will be completely removed and properly disposed of and new vinyl double pane, argon filled low-e windows will be installed. Heating and air conditioning costs will be lowered and the outside noise level will be lowered.

**This is the recommended alternative.**

## **OTHER INFORMATION:**

The Port has an ongoing commitment to the Fishing Industry at Fisherman's Terminal. The continued operation and maintenance of this facility offers the opportunity for businesses that directly or indirectly support the fisherman and the industry to maintain close proximity to the clientele in a reasonably priced office.

We have applied to Puget Sound Energy for a grant based on the calculated energy savings but have not received confirmation on whether the grant request will be approved.

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

This project has been mentioned in previous Commission meetings as an example of the kinds of maintenance that has been deferred over the last several years but no formal actions or briefings were done.