PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA **Item No.** 7a

Date of Meeting March 10, 2009

DATE: January 28, 2009

TO: Tay Yoshitani, Chief Executive Officer

FROM: Mike McLaughlin, Director, Cruise and Industrial Properties
Mark Longridge, Capital Project Manager

SUBJECT: Authorization of construction and approval to advertise dock improvements and repairs needed for barge layberth locations at Terminal 25, Pier 28 and Terminal 46

ACTION REQUESTED

Request for Port Commission authorization for the Chief Executive Officer to advertise for construction by contract of improvements and repairs to the fendering and on dock systems at Terminal 25, Pier 28 and Terminal 46 for an estimated amount of $250,000, for a total new authorization of $300,000.

SYNOPSIS

This funding request is step two of Commission authorization process following the initial authorization provided on October 14, 2008 which directed staff to proceed with final scoping, design and permit applications for the described project.

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.

Port staff requests approval of construction funding for improvements at three of the phase one sites identified in the Seaport Planning Barge Layberth study of July 2008. These improvements will accommodate a portion of the displacement of moorage at Terminal 91 (T91) that will result from the implementation of federal security requirements related to the Transportation Worker Identification Credential (TWIC) federal security program in February 2009 and activation of the Smith Cove Cruise Terminal in April 2009.

The project sites are as follows (including length of berth area available for barge moorage once improvements/repairs are completed):

Terminal 25 SW (south end of west face)	400’
Terminal 46 NW (north end of west face)	500’
Pier 28 (south end T30 within the slip)	700’

These improvements include repair of existing fender systems at T46 NW (8 piles) and P28 (8 piles); minor facility improvements at both these sites; and at T25 security fencing, cleat relocations, and minor repairs to other portions of piers.

PROJECT SCOPE OF WORK AND SCHEDULE:

- Project scope will include the replacement of damaged fender piles at T46 and P28, identified in the fender system evaluation of June 2008. The scope will also include other site infrastructure improvements at these locations and T25 to make barge layberth possible for Port tenants. The other improvements beyond fender system repairs, include repairs to chocks, brows, bullrails, cleats, bollards, security systems, fencing, and gate improvements.

- To be available prior to the 2009 cruise season, initial work at T25 will commence immediately, including installation of security fence and relocation of bollards and cleats at the bull rail.

- All permits have been received for in-water work, and replacement of the damaged fender piling at T46 and P28 will commence as soon as the permit window allowing in water work opens in August 2009. Some minor work may be performed at these sites to allow partial use of the berth area this season to meet layberth demand.

- All construction for this project is expected to be completed by October 31, 2009.

STRATEGIC OBJECTIVES:

- This work 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.

- Best management practices will be deployed in selection of materials, work practices and ongoing total cost of ownership.

BUSINESS PLAN OBJECTIVES:

Completion of this work will return to use 1,600 lineal feet of barge layberth moorage in our harbor. While this amount is below the peak barge usage of 2,300 LF identified in the Seaport planning group’s study, it will accommodate the expected demand on 65% of

the affected days in April and May when both the cruise terminal is in operation and the fishing fleet are at T91, (based on historical usage).

Budget/Authorization Summary

Previous Authorizations	$50,000
Current request for authorization	$250,000
Total Authorizations, including this request	$300,000
Remaining budget to be authorized	$0

Project Cost Breakdown

Design and Permitting	$50,000
Construction	$250,000
Total	$300,000

Source of Funds

This project is included in the 2009 Operating Budget in the amount of $250,000. Due to subsequent changes in the construction schedule, the 2009 portion of project costs are expected to be $283,000. Actual 2009 costs in excess of the budgeted $250,000 will create an unfavorable expense variance.

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	N/A
Key risk factors	• The timing of in-water work is constrained by closure of the fish window. The next in-water work period will open on 8/15/09 and close on 2/15/10. • Construction costs may increase if necessary repairs are more extensive than currently known
Project cost for analysis	$300,000
Business Unit (BU)	Dock Operations

<table>
<tr><td>Effect on business performance</td><td>The estimated total project costs will have the following effect on NOI. Depreciation Expense will not be impacted by this project, as this repair is an operating expense.
<table>
<tr><th></th><th>2008</th><th>2009</th><th>TOTAL</th></tr>
<tr><td>Incremental Expense</td><td>($17,000)</td><td>($283,000)</td><td>($300,000)</td></tr>
<tr><td>NOI</td><td>($17,000)</td><td>($283,000)</td><td>($300,000)</td></tr>
<tr><td>Depreciation</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>NOI After Depreciation</td><td>(17,000)</td><td>(283,000)</td><td>(300,000)</td></tr>
</table></td></tr>
<tr><td>IRR/NPV</td><td>N/A</td></tr>
</table>

SUSTAINABILITY AND LIFE CYCLE COSTS

Since this project replaces only a small percentage of the existing timber fender piles within the current system at each site alternative materials and systems were not considered.

- *What plans have been made to reduce maintenance costs? If not, why?*
  This project renews an essential part of the protective system for the facilities. The project will by definition reduce maintenance costs to the terminals by preventing damage from barges and vessels impacting on the apron structure.

- *What is the design life span of this project?*
  Ten (10) years

- *What plans have been made to reduce chemical and pollutant source control (low volatile organic compounds) in the construction of this project to improve air quality? If not, why?*
  This project will remove creosote treated piles and replace them with ACZA treated piles.

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. For these reasons, Alternative 1 is not recommended.

Alternative 2: Repair and improve some, but not all of the three proposed facilities. This would not provide adequate berth capacity to fully meet current demand, nor would it provide any capacity for new or foregone demand during peak seasonal periods. For these reasons, Alternative 2 is not recommended.

Alternative 3: Repair and improve existing facilities at T25, P28 and T46 to accommodate current barge layberth moorage requirements and obligations. **This is the recommended alternative.**

OTHER INFORMATION

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. The advent of the TWIC program, which will be enforced starting February 28, 2009, will place additional capacity constraints on the Seaport's moorage capacity. Opening the new Smith Cove Cruise terminal, will also displace barge moorage.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- Policy and Staff Briefing – Industrial Moorage Initiative, June 3, 2008.

- Authorization for design and permitting of barge layberth improvements at Terminal 25, Pier 28 and Terminal 46, October 14, 2008.