

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

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	<u>6c</u>
<b>Date of Meeting</b>	<u>May 4, 2010</u>

**DATE:** April 16, 2010

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

**FROM:** Rees Robinson, Project Manager, Marine Maintenance  
Lindsay Pulsifer, General Manager, Marine Maintenance

**SUBJECT:** Maintenance Shop Solution  
CIP C800187

**Amount of This Request: \$2,250,000 Source of Funds: Tax Levy**

**State and Local Taxes Paid: \$120,000 Est. Workers Employed: 12**

**Total Project Budget: \$ 2,300,000**

**ACTION REQUESTED:** Request Port Commission authorization for the Chief Executive Officer to proceed with authorization of Maintenance Shop Solution projects, including: engineering analyses and design, project management, preparation of construction documents, advertisement for bids and execution of construction contract, purchase of materials and Shop self-performance of work under Maintenance Shop Solution Projects (CIP C800187) for a total cost, not to exceed, \$2,300,000. (\$50,000 was previously authorized under CIP C800243)

This authorization is combining two steps of the Resolution 3605 process (authorization for design and authorization for advertising, awarding and performing construction) into one request due to the nature of the projects. They are largely independent of each other. Design is minimal: the roof work is described by specifications and most other parts will be constructed by Port crews. Construction will not take place at once but must be phased to allow continuity of Marine Maintenance operations.

**SYNOPSIS:** The Port of Seattle had been considering relocating the Marine Maintenance Shop to a more central location, in relation to POS Marine Facilities, since 2000. Pursuant to a cost/benefit analysis of the relocation, the decision was made to keep the Shop operating at its current location.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 2 of 7

The Maintenance Shop Solution is budgeted in the capital plan and includes the following projects, which make staying in its current location viable:

- Roof Replacement
- Office Space Expansion
- Kitchen / Break Room Relocation
- Power & Computer Network Upgrades
- North-end Office

Roof Replacement work will be accomplished using a Major Construction contract. Authorization is requested to complete the rest of the work using Marine Maintenance crews and Small Works Contracts. This allows adjustment of work flow, construction schedules and phasing in order to maintain maintenance operations during construction.

### **ADDITIONAL BACKGROUND:**

Roof Replacement: A roof condition report, dated June 7, 2007, recommended re-roofing the maintenance shop within one year of the report. The report further recommended removing the existing roof system down to the wood substrate to inspect for possible damage. This report was substantiated by NW Professional Roofing Associates this year.

Office Space Expansion: Office space in the Shop is filled to capacity. Marine Maintenance is adding staff to handle its current and projected workload, making the need for increased space urgent. The office space expansion will include a minimum of eight additional office spaces and a conference room. The expansion will be within the existing Shop building footprint.

Kitchen / Break Room Relocation: The Shop Kitchen / Break Room gets continual daily use and is used for food preparation and clean up during Marine Maintenance events. The break room is outdated with old, inefficient appliances and deteriorated finishes. A remodel is past due. The current location of the kitchen / break room is adjacent to the Shop front lobby and has windows. To make optimum use of the shop footprint and layout, and to be cost-effective in the project process, the kitchen will be relocated to an area on the shop floor and its existing location will be used for the Office Space Expansion.

Power & Computer Network Upgrades: Shop electrical service does not meet current code. Nor does it have the capacity to meet future needs. There are not sufficient network connections available for the computers that will be added with the office expansion.

North-end Office: Construction of a north-end remote office will improve maintenance crew response times, cut down on travel times, and provide a specific site that complies with labor agreements, to which crafts people can report. The remote office will be at a

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 3 of 7

location closer to north end property work sites than the Maintenance Shop is. Having a remote office will be particularly important when the Alaskan Way Viaduct construction begins.

**PROJECT JUSTIFICATION:** The Port of Seattle and its tenants rely on Marine Maintenance to be responsive and operationally efficient. Completion of Maintenance Shop Solution projects are necessary to insure continued high performance from Marine Maintenance crews and staff.

### **PROJECT STATEMENT AND OBJECTIVES:**

#### ***Project Statement:***

Complete design and construction of five projects, identified as necessary improvements to the Marine Maintenance Shop for continued operations in its current location, by the end of 2010.

#### ***Project Objectives:***

- Increase the operational capacity of the Marine Maintenance Shop
- Preserve the Marine Maintenance Shop building asset
- Improve efficiency of existing space
- Complete construction with minimal impact to maintenance operations
- Reduce maintenance crew travel times
- Increase remodeled area energy efficiency

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

#### ***Scope of Work:***

**Roof Replacement:** The existing roof system will be removed down to the roof substrate. The substrate will be inspected and damage, if found, will be repaired. A new roof system will be constructed.

**Office Space Expansion:** A minimum of eight new office spaces, made up of a combination of cubicles and closed offices, and a conference room will be constructed within the existing Shop building footprint. The existing second floor office layout will be reconfigured; the existing kitchen / break room will be converted to office space; and, office space will be built in the Stores area. Construction of the office space expansion will be phased and coordinated with the kitchen / break room relocation to allow movement of staff without disrupting maintenance operations.

**Kitchen / Break Room Relocation:** A new Kitchen / Break Room will be built on the Shop floor. It will be built in a space that is predominately used for storage and that has close proximity to existing plumbing and electrical systems.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 4 of 7

**Power & Computer Network Upgrades:** A Licensed Electrical Engineer will evaluate the existing electrical service at the Shop and determine demand. Electrical Service will be upgraded based on the recommendations of the Engineer. Required network upgrades will be determined by Port of Seattle ICT.

**North-end Office:** The North-end office will be located central to north-end Port of Seattle Seaport and Real Estate properties. Cost effectiveness is a primary consideration. Two options are being considered:

1. Updating of an existing POS facility
2. Use of a modular structure

**Schedule:** It is essential that Marine Maintenance remain operational during construction of Maintenance Shop Solution projects. The schedule assumes Marine Maintenance crews will perform much of the work. Self-performing the work allows adjustment of work flow, construction schedules, and phasing, as required to avoid disruption of operations without adding cost or time to the projects.

***The schedule shown is approximate. It is based on the following assumptions:***

- All work, other than the Roof Replacement, will be predominately self-performed by Marine Maintenance crews.
- Roof Replacement will begin as soon after Commission Authorization as possible.
- Project work will be phased to maintain functionality of maintenance operations at all times.
- Work required for the Power & Computer Network Upgrades and for the North-end Office projects will be of equal or lesser magnitude than what can be accomplished within the parameters shown.

	<b><u>Start</u></b>	<b><u>Finish</u></b>
Pre -Design	February 2010	April 2010
Commission Authorization	May 2010	
Roof Replacement		
Advertise for Bid	May 2010	
Award Contract	June 2010	
Construction	July 2010	September 2010
Office Space Expansion	June 2010	September 2010
Kitchen / Break Room Relocation	July 2010	August 2010
Power & Computer Upgrades		
Design	June 2010	
Construction	July 2010	August 2010
North-end Office		
Design	June 2010	September 2010
Construction	September 2010	December 2010

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 5 of 7

### **FINANCIAL IMPLICATIONS:**

#### **Budget/Authorization Summary**

Original Budget	\$0
Previous Authorizations ( <i>prior RE Managing Director authorization under CIP C800243</i> )	\$50,000
Current request for authorization	\$2,250,000
Total Authorizations, including this request	\$2,300,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$2,300,000

#### **Project Cost Breakdown**

Construction Cost Total	\$1,810,000
Shop Roof	\$750,000
Kitchen / Break Room	\$190,000
Office Space Expansion	\$270,000
Electrical / Network Upgrade**	\$300,000
North-end Office**	\$300,000
Construction Management (5%)	\$90,000
Design (Total Design Fees – All Projects)	\$75,000
Regulated Materials Assessment / Mitigation	\$25,000
Project Management	\$160,000
Permitting	\$20,000
State & Local Taxes (estimated)	\$120,000
Total	\$2,300,000

\*\* Construction Costs for the Electrical/Network Upgrade and North-end Office are to be determined. If construction costs exceed \$300,000 for either project, staff will return to Commission for authorization before proceeding.

#### **Source of Funds**

This renewal/replacement project was included in the 2010 Draft Plan of Finance under Committed CIP# C800187 Maintenance Shop Solution in the amount of \$2,300,000.

It is appropriate that project costs be charged against the capital budget as they are replacement of, or additions to, Port assets and provide benefits to the Port over several accounting periods.

The project will be funded from the Tax Levy.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 6 of 7

### **Financial Analysis Summary:**

<b>CIP Category</b>	Renewal/Replacement																								
<b>Project Type</b>	Renewal/Replacement																								
<b>Risk adjusted Discount rate</b>	7.0%																								
<b>Key risk factors</b>	<ul style="list-style-type: none"><li>• Construction costs may increase if required work is more extensive than currently known. Current estimates will be refined based on an assessment of the electrical system, roof substrate inspection, and determination of north end shop location.</li><li>• Project schedule could be delayed due to project complexity, weather, or need to minimize disruptions to maintenance staff.</li></ul>																								
<b>Project cost for analysis</b>	\$2,300,000																								
<b>Business Unit (BU)</b>	Maintenance, Real Estate Division																								
<b>Effect on business performance</b>	<p>This project will not generate any incremental revenue. However, as a capital project, depreciation expense will increase based on the scope of work.</p> <p>The impact to Net Operating Income before and after Depreciation in Year 1 through year 5 is shown below. The depreciation schedule will be refined when components of the capital projects are completed.</p> <table border="1"><thead><tr><th><b><u>NOI (in \$000's)</u></b></th><th><b><u>2010</u></b></th><th><b><u>2011</u></b></th><th><b><u>2012</u></b></th><th><b><u>2013</u></b></th><th><b><u>2014</u></b></th></tr></thead><tbody><tr><td>NOI</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td><td>\$0</td></tr><tr><td>Depreciation</td><td>(\$35)</td><td>(\$166)</td><td>(\$166)</td><td>(\$166)</td><td>(\$166)</td></tr><tr><td>NOI After Depreciation</td><td>(\$35)</td><td>(\$166)</td><td>(\$166)</td><td>(\$166)</td><td>(\$166)</td></tr></tbody></table>	<b><u>NOI (in \$000's)</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	NOI	\$0	\$0	\$0	\$0	\$0	Depreciation	(\$35)	(\$166)	(\$166)	(\$166)	(\$166)	NOI After Depreciation	(\$35)	(\$166)	(\$166)	(\$166)	(\$166)
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### **ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:**

Proceeding with these projects allows Marine Maintenance to continue operations to maintain Seaport and Real Estate properties and to respond to emergencies.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

April 16, 2010

Page 7 of 7

### **STRATEGIC OBJECTIVES:**

The proposed projects support the Port's strategies to "Be a High-Performance Organization" and to "Ensure Airport and Seaport Vitality." Marine Maintenance is currently operating out of a facility that requires improvements to preserve the building asset and to increase the operational capacity and efficiency of a high performing group. Marine Maintenance supports Seaport Vitality by maintaining Seaport and Real Estate properties.

### **ENVIRONMENTAL SUSTAINABILITY AND COMMUNITY BENEFITS:**

- Each project will be designed and constructed considering the environmental impacts of the construction and of the asset..
- The projects will use materials having demonstrated long lives and durability. Environmentally preferable products will be purchased whenever practical.
- All equipment and appliances purchased will be energy efficient.
- Creation of a North-end office will reduce travel times of Marine Maintenance crews.
- Increase of Maintenance Shop Office Space will be within the existing building footprint.

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

**Alternative 1:** Authorize \$2,300,000 to complete the proposed projects as described in this memorandum: Roof Replacement; Office Space Expansion; Kitchen / Break Room Relocation; Power & Computer Network Upgrades; and creation of a North-end Office. These projects insure that Marine Maintenance remains operational and increases its capacity and functionality. **This is the recommended alternative.**

**Alternative 2:** Build a new Marine Maintenance Shop on the former tank farm site at Terminal 91. Alternative 2 was studied and in April 2009, the estimated cost of construction of the new Shop was \$29 Million. The cost assumed the auto shop would stay at its current Horton Street location and that all tank farm environmental remediation work at the site would be complete prior to Shop construction. Alternative 2 is not recommended.

**Alternative 3:** Do Nothing. Doing nothing to preserve and / or improve the Maintenance Shop facility would limit Marine Maintenance performance and put maintenance operations and functionality at risk. Alternative 3 is not recommended.

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:** None