

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b
Date of Meeting July 13, 2010

DATE: June 25, 2010

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: Construction Funding for North Harbor Island Mooring Dolphins
CIP #C800182

Amount of This Request: \$1,850,000 **Source of Funds:** General Fund

State and Local Taxes Paid: \$165,000 **Est. Workers Employed** 24

Total Project Costs: \$2,350,000

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to pre-purchase long-lead construction materials, and to advertise for construction bids, award the contract and construct the North Harbor Island Mooring Dolphins project CIP #C800182 for an estimated cost of \$1,850,000 bringing the total authorized amount of this project to \$2,350,000.

SYNOPSIS:

The Capital Development Division (CDD) requests approval of construction funding for the replacement of four existing failed timber mooring dolphins with four new steel dolphin structures located approximately 50' north of the Harbor Island shoreline. The restoration of this facility would replace two berths, able to accommodate up to four 400' barges (one alongside, another rafted at each berth), and generate additional revenue to the Seaport.

Industrial moorage for barges and other commercial vessels is essential to a healthy port and harbor. The supply of industrial moorage in our harbor has declined, while demand for such moorage has grown. Federal security requirements for moorage of fuel barges have exacerbated the shortage of suitable moorage for that sector. This project, if funded for construction, would restore moorage capacity that was removed from service due to age and deterioration.

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PROJECT JUSTIFICATION:

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 North Harbor Island site was identified as a “Phase-Two” site in Seaport Planning’s Barge Layberth study of July 2008. These improvements will help to recover moorage displaced from other Port facilities with the implementation of federal security program Transportation Worker Identification Credential (TWIC) in February 2009 and activation of cruise operations at Terminal 91’s (T-91) Smith Cove facility in April 2009.

PROJECT STATEMENT AND OBJECTIVES:

Project Statement:

- The project will replace 4 existing timber mooring dolphins at the north end of Harbor Island. The current dolphins have failed and are not in useable condition. The replacement dolphins would be steel pipe pile and steel frame platforms with sleeved fender piles.
- Some long-lead construction materials may need to be pre-purchased to complete construction on schedule.
- The work would be completed using a publicly bid major works construction contract.

Project Objectives:

This work, if authorized, is aligned with the Industrial Moorage Initiative as it is intended to preserve and expand industrial moorage facilities in the harbor to provide for a vibrant Seaport that adequately serves the requirements of all essential sectors of the maritime community.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

- Finalize construction bid set inclusive of plans, specifications and engineers’ cost estimate;
- Determine what, if any, construction materials should be pre-purchased and act accordingly;
- Advertise and award construction contract;
- Remove existing failed creosote timber dolphins; and
- Drive steel bearing and fender piling, construct dolphin platforms

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Schedule:

We expect the final bid documents to be prepared and advertised within three months, and the Mooring Dolphins to be completed and the facility in service by March 31, 2011.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Original Budget	\$0
Previous Authorizations	\$500,000
Current request for authorization	\$1,850,000
Total Authorizations, including this request	\$2,350,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$2,350,000

Project Cost Breakdown

Construction	\$1,795,000
Construction Management	\$141,000
Design Services	\$136,000
Project Management	\$95,000
Permitting	\$18,000
State & Local Taxes (estimated)	\$165,000
Total	\$2,350,000

Source of Funds

This project was included in the 2010 Plan of Finance under Committed CIP# C800182, North Harbor Island Mooring Dolphins (4), in the amount of \$1,900,000. The additional \$450,000 required to fund the balance is available due to lower than anticipated spending on other 2010 Plan of Finance Committed projects, such as the Terminal 104 Site Improvements.

The 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%

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Key risk factors	<ul style="list-style-type: none"> • Construction costs may vary as steel prices are highly volatile, and have changed since original estimate in January 2008 • The estimated financial return on this project is based on existing demand for barge layberth moorage, including vessels displaced from T-91. Financial performance will be lower if usage or market rates are lower than estimates used in the related financial analysis. • Marketing efforts are currently underway to maximize utilization and revenue for this site, as well as for other Port barge moorage locations throughout the harbor. 																								
Project cost for analysis	\$2,350,000																								
Business Unit (BU)	Dock Operations																								
Effect on business performance	<p>Estimated impact on Net Operating Income (NOI) and NOI after Depreciation for years 2010 through 2014 is shown below.</p> <table border="1" data-bbox="657 840 1453 987"> <thead> <tr> <th>NOI (in \$000's)</th> <th>2010</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> </tr> </thead> <tbody> <tr> <td>NOI</td> <td>\$0</td> <td>\$99</td> <td>\$207</td> <td>\$212</td> <td>\$218</td> </tr> <tr> <td>Depreciation</td> <td>\$0</td> <td>(\$98)</td> <td>(\$118)</td> <td>(\$118)</td> <td>(\$118)</td> </tr> <tr> <td>NOI After Depreciation</td> <td>\$0</td> <td>\$1</td> <td>\$90</td> <td>\$95</td> <td>\$100</td> </tr> </tbody> </table>	NOI (in \$000's)	2010	2011	2012	2013	2014	NOI	\$0	\$99	\$207	\$212	\$218	Depreciation	\$0	(\$98)	(\$118)	(\$118)	(\$118)	NOI After Depreciation	\$0	\$1	\$90	\$95	\$100
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ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:

Completion of this work will provide two additional barge layberths capable of accommodating up to four 400'+ barges with rafting. Combined with the 1,100' of restored industrial moorage facilities provided by the Phase I projects completed in 2009 and 2010, this would partially restore capacity lost from service resulting from deteriorated berths taken out of service and berth space displaced by alternative uses.

STRATEGIC OBJECTIVES:

- Replace lost industrial moorage capacity essential to operating a full-service harbor.
- Specifically, replace the four existing timber North Harbor Island Mooring Dolphins, that were leased for a period of decades 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

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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.

- The Port is in receipt of several letters from industry supporting recapitalization of these mooring dolphins for reasons outlined above.
- If reconstructed, these mooring dolphins would provide additional moorage to alleviate the current shortage caused by the relocation of Cruise operations to T-91, and provide a convenient alternative to the current practice of rafting barges in the lower Duwamish.
- The proposed offshore location would not require a TSA Facility Security Plan so could 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.
- Based upon industry responses, following completion of the project, we expect to be able to lease or rent these moorages, bringing in additional revenue to the Seaport.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing. With the displacement of barge layberth space at T-91 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 Industrial Moorage Initiative Phase One barge layberth sites operational. For these reasons, Alternative 1 is not recommended.

Alternative 2: Develop new industrial moorage elsewhere in the harbor. This would require development of a new design and permits – at considerable cost and delay. For these reasons, Alternative 2 is not recommended at this time,

Alternative 3: Authorize replacement of two of the existing four failed timber dolphins with new steel dolphins. This would restore only one berth, which would not adequately meet expressed demand and needs for the harbor. Moreover, the unit cost of constructing two dolphins is substantially higher than constructing all four dolphins at the same time. For these reasons, Alternative 3 is not recommended.

Alternative 4: Authorize the replacement of all four of the existing failed timber dolphins with new steel pile and steel frame dolphins to reestablish two (2) industrial moorage berths to accommodate current barge layberth moorage requirements and obligations. This is the recommended alternative.

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OTHER DOCUMENTS:

Industry Letters of Support:

- Island Tug & Barge Co. June 24, 2010
- Marine Exchange of Puget Sound June 23, 2010
- Olympic Tug & Barge, Inc. May 4, 2010
- Marine Resources Group September 5, 2008
- Northland Services September 5, 2008
- Western Towboat Company September 5, 2008
- Harley Marine Services September 5, 2008

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- Authorization for Design, Permitting and Material Procurement Funding for North Harbor Island Mooring Dolphins – August 11, 2009
- 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