

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c
Date of Meeting April 12, 2011

DATE: March 21, 2011
TO: Tay Yoshitani, Chief Executive Officer
FROM: Darlene Robertson, Director, Harbor Services, Real Estate Division
Tim Leonard, Capital Project Manager, Capital Development Division
SUBJECT: Fishermen's Terminal Net Locker Code Compliance analysis & request to increase funding for in-progress code related evaluation work

Amount of This Request: \$200,000 **Source of Funds:** General Fund

Total Project Cost: \$500,000

ACTION REQUESTED:

Request Commission authorization for additional funding required to complete the required and in-progress Fishermen's Terminal (FT) Net Locker Code Compliance evaluation & identification of options at an estimated potential additional cost of \$200,000 bringing the total authorized amount of this code compliance work to \$500,000. This is an expense project and is funded by the General Fund. The continuing evaluation phase of the code compliance project was not included in the 2011 Real Estate Operating Budget and this is discussed in the Source of Funds section below.

SYNOPSIS:

This is a safety and code compliance issue. Staff requests increasing the budget of the required in-progress FT Net Shed Code Compliance analysis project by \$200,000, in addition to the \$300,000 previously approved by the CEO, for a total amount of \$500,000. In concert with the Seattle Fire Department (SFD) and the Department of Planning & Development (DPD), much work has been completed to date in what has turned out to be a complex evaluation of code compliant options for storage lockers, including performing a detailed interpretation of the applicable building and fire codes; completion of a FT fire protection report involving the determination of potential code compliant net locker storage options; and numerous discussions and on-site meetings with the City of Seattle and the Fishermen's Terminal Advisory Committee (FTAC). Additional funding is now required to enable the Port of Seattle (Port) to complete a comprehensive evaluation and cost estimation of the code compliant storage options, identified

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in the completed fire protection report, as well as the ongoing coordination with the SFD and DPD in conjunction with their currently in-progress review of these proposed options. Completion of this work will, in turn, allow staff to subsequently recommend required net locker improvements to the Port Commission as part of an upcoming presentation/briefing regarding the Fishermen's Terminal 20 Year Plan to be made end of 2011.

ADDITIONAL BACKGROUND:

Recognizing the need to correct existing potentially hazardous net shed storage conditions, the Port began working with FT tenants in 2006 to address unpermitted structural additions (i.e. lofts) within individual net lockers as well as storage policy violations. After inspecting the net sheds in early 2009, the Seattle Fire Department (SFD) issued a letter to the Port on April 15, 2009 in which various fire and building code violations were cited. The Port and the City of Seattle have since agreed upon a tentative timetable to bring all of the net sheds into compliance with the applicable codes by early 2013. As part of this agreement, FT Operations has implemented various efforts to assist tenants with cleaning out their net lockers of tons of materials, removed lofts where we can (this continues as lockers are vacated), and encouraged tenant participation in a pilot storage program, approved by SFD & DPD, in which the Port has supplied surplus rack shelving units and removed non-permitted, tenant-constructed lofts. This work will continue in conjunction with the project coordination with the SFD and DPD regarding viable code compliant net shed storage options. Additionally, as recommended by the SFD, the Port has procured the services of a fire protection engineering consultant to assist Port staff in determining and evaluating code compliant net shed storage options.

A net sheds fire protection report has now been completed and submitted to the SFD and DPD for their review and concurrence with the proposed code compliant net shed storage options. Staff is also currently in the process of evaluating these options based on various criteria including the cost of required improvements, the amount of storage provided, and net locker lease policy ramifications for tenants and staff. Upon completion of this evaluation and the necessary related coordination with the City of Seattle, all options, as well as the recommended option(s), will be presented to FTAC followed by a presentation to the Port Commission, as part of the FT 20 Year Plan, for ultimate approval and funding of the related improvements necessary to achieve full net shed code compliance.

Much progress has been made to date in the FT net shed code compliance effort, but it has proven to be a complex undertaking to fully interpret the storage options allowed within the various applicable codes and assess their impacts, as well as properly coordinate with the SFD, DPD, staff, and tenants. Accordingly, the schedule was extended into 2011 due to the remaining work necessary to formulate a net shed storage option(s) recommendation, the ongoing related discussions with the City and FTAC, and the delay of the planned presentation(s) to the Commission in conjunction with the FT 20 Year Plan.

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PROJECT JUSTIFICATION:

This is a safety and code compliance issue as cited by SFD. The completion of the FT Net Sheds Code Compliance analysis project is necessary to identify storage options that will enable the Port to comply with legal requirements, address potentially unsafe conditions, and still meet its customers' needs to the extent possible. The net shed improvement recommendations that are determined as a result of this project are also essential for the completion of the 20 year plan for the Fishermen's Terminal facility.

PROJECT SCHEDULE:

Port staff's evaluation of the identified code compliant storage options and the related approval coordination with the City is anticipated to be completed by summer 2011. Subsequent presentations to FTAC and the Port Commission are expected to occur in October 2011 (when the fishing fleet returns) and November 2011, respectively.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Previous Authorizations	\$300,000
Current request for authorization	\$200,000
Total Authorizations, including this request	\$500,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$500,000

Estimated Project Cost Breakdown

Consultant Services	\$101,000
POS Staff	\$399,000
Total	\$500,000

Source of Funds

This project, which is in the evaluation phase of the FT Net Shed Code Compliance project, was not included in the Real Estate Division's 2011 Operating Budget because it was originally anticipated that the work would be completed by the end of 2010. The project costs to be incurred in 2011 will create an unfavorable operating expense variance for Harbor Services and the Real Estate Division. It is expected that these costs will be offset by savings in other areas.

This project will be funded by the General Fund.

Financial Analysis Summary:

CIP Category	N/A
Project Type	Health, Safety and Security - Expense Project

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Risk adjusted Discount rate	N/A																				
Key risk factors	Proposed code compliant net shed storage options are currently still under review by the City of Seattle and therefore subject to revision.																				
Project cost for analysis	\$500,000																				
Business Unit (BU)	Harbor Services Group, Real Estate Division																				
Effect on business performance	The actual and forecasted impact on Net Operating Income (NOI) is shown below: <table border="1" data-bbox="623 604 1297 747"><thead><tr><th>NOI (in \$000's)</th><th>2009</th><th>2010</th><th>2011 Frct</th><th>Total</th></tr></thead><tbody><tr><td>Revenue</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Expenses</td><td>32</td><td>191</td><td>277</td><td>500</td></tr><tr><td>NOI</td><td>(32)</td><td>(191)</td><td>(277)</td><td>(500)</td></tr></tbody></table>	NOI (in \$000's)	2009	2010	2011 Frct	Total	Revenue	0	0	0	0	Expenses	32	191	277	500	NOI	(32)	(191)	(277)	(500)
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Revenue	0	0	0	0																	
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NOI	(32)	(191)	(277)	(500)																	
IRR/NPV	N/A																				

ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:

This project is aligned with the business plan objectives to maintain safe facilities and assets and provide customers with compelling value. It is needed to continue to find ways to provide material, gear and equipment storage to commercial fishing tenants and other customers at Fishermen's Terminal.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing. Without completion of this project, the Port will not have fully performed the due diligence necessary to best resolve the existing building and fire code violations and also meet its customers' net shed storage needs where possible. For these reasons, Alternative 1 is not recommended.

Alternative 2: Complete the proposed project in order to determine the best storage option(s) for achieving net shed code compliance while meeting customers' storage needs where possible.

Staff is recommending this alternative as it will enable the Port to alleviate the existing net shed code violations and existing safety concern.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On March 10, 2009, as part of the Working Waterfront round table discussion held at the Nordic Center in Ballard, a briefing was provided to the Commission regarding the need to address the existing net shed storage concerns at Fishermen's Terminal.