

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	5c
Date of Meeting	June 14, 2011

DATE: June 6, 2011

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Funding Increase Request for Maintenance Shop Solution Projects
CIP# C800187

Amount of This Request: \$340,000 **Source of Funds:** Tax Levy

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

Total Project Budget (including previous authorization): \$ 2,640,000

ACTION REQUESTED: Authorization to increase the budget by \$340,000 for the Marine Maintenance Solution Capital Improvement Project for a total estimated project cost of \$2,640,000. This will cover costs beyond budgetary estimates due to a regulated material survey; regulatory requirements to install insulation and design and install a roof fall protection system which were not included in the original scope of work; design, code requirements, computer network and communications for the north-end office; and the 80% overhead rate on Port labor during the first quarter of 2011. The funding increase will allow completion of all projects in CIP #C800187.

SYNOPSIS: The Commission authorized Maintenance Shop Solution Projects on May 4, 2010. Authorization was for the total not to exceed cost of \$2,300,000 for engineering analyses and design, project management, preparation of construction documents, advertisement for bids and execution of a construction contract, purchase of materials and Shop self-performance of work.

The Marine Maintenance Solution CIP was authorized based on preliminary project scopes and estimates. As the projects progressed through design, permitting and construction, project requirements resulted in project delays and additional costs.

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Maintenance Shop Solution Projects include:

- Roof Replacement
- Office Space Expansion
- Kitchen / Break Room Upgrade
- Electrical Service Upgrade
- North-end Office

All projects are underway except the Kitchen / Break Room Upgrade.

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

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.

Marine Maintenance Solution projects were identified to meet the following 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:

Roof Replacement: The Shop roof will be removed and replaced with a single ply membrane roof. Work will be performed under a Major Construction contract. The contract is expected to go out to bid in June, 2011. The original intention was to put the project out to bid in the summer of 2010. However, a licensed Architect was required to prepare the bid documents. The Project Architect was retained under the Building IDIQ contract, executed on Aug 18, 2010, making a 2010 summer bid impossible. The project was deferred for a year. The following two scope changes add significant cost to the project:

1. The 2006 Seattle Building Code requires installation of roof insulation when removing and replacing a roof. Most of the existing roof is uninsulated. This requirement will add an estimated \$140,000 to the construction cost.

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2. A roof fall protection system, satisfying Labor and Industries safety requirements for workers on the roof, will be included in the roof replacement bid documents. This increases the project cost by an estimated \$56,000.

Office Space Expansion: The office space expansion project is nearing completion. The existing second floor office layout was reconfigured and new office space was built on the first floor. The expansion provides a total of eleven new workstations (four of which are enclosed offices), a new first floor conference room and enclosure of the Shop computer kiosk. A significant portion of the work, performed by Marine Maintenance labor, occurred during the first quarter of 2011. Additional project costs resulted primarily from Marine Maintenance's high burden rate during the first quarter.

Kitchen / Break Room Upgrade: To save costs, the existing kitchen will be upgraded rather than relocated as originally intended. The Kitchen / Break Room gets continual daily use, is used for food preparation and clean up during Marine Maintenance events, and, being adjacent to the front lobby, is often used by visitors to the Shop. The room is outdated with old, inefficient appliances and deteriorated finishes. An upgrade to this space is overdue. Construction has not yet started. The estimated cost of the kitchen upgrade is \$145,000.

Electrical Service Upgrade: The Electrical Service Upgrade will replace the existing electrical service system with a new, energy efficient distribution system that has the capacity to meet future electrical needs of the Shop. The existing electrical service equipment at the Shop is estimated to be more than 50 years old. Typically, the life expectancy of electrical service equipment is 30 years. The existing equipment is old, at risk of failure, presents safety risks, does not meet regulatory requirements, and doesn't have adequate capacity to meet future Shop electrical requirements. Design is complete and equipment is out to bid.

North-end Office: A modular office is being installed in the parking lot adjacent to the Northwest Harvest building. At the time of Commission authorization, the project scope was unknown except that the office would be a modular structure or an update of an existing facility and would be located central to north-end Port of Seattle Seaport and Real Estate properties. The preliminary project budget was \$340,000. Project costs for design, permitting and computer network requirements necessitate increasing the project budget to complete the North-end Office.

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Expected Project Completion:

<u>Project</u>	<u>Expected Completion</u>
Roof Replacement	October 2011
Office Space Expansion	June 2011
Kitchen / Break Room Upgrade	October 2011
Electric Service Upgrade	September 2011
North-end Office	July 2011

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Original Budget	\$2,300,000
Previous Authorizations	\$2,300,000
Current request for authorization	\$340,000
Total Authorizations, including this request	\$2,640,000
Remaining budget to be authorized	\$0
Total Estimated Project Cost	\$2,640,000

Project Cost Breakdown

Project Cost Breakdown	Preliminary Budget	Revised Budget
Shop Roof *	\$935,000	\$1,170,000
Kitchen / Break Room	\$145,000	\$145,000
Office Space Expansion	\$525,000	\$545,000
Electrical / Network Upgrade	\$355,000	\$355,000
North-end Office	\$340,000	\$425,000
Total	\$2,300,000	\$2,640,000

* Project Cost for the Roof Replacement Project is based on the consultant's construction cost estimate. If the winning bid exceeds the consultant's estimate, additional funds may be required and staff will return to Commission for authorization before awarding the construction contract.

Source of Funds

This project was included in the 2011 Draft Plan of Finance under Committed CIP# C800187 Maintenance Shop Solution in the amount of \$2,300,000. The additional \$340,000 which is required to fund this project is available due to project deferrals on other 2011 Plan of Finance Committed projects, such as the Bell Harbor Lighting Controls Upgrade Project.

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This project will be funded from the Tax Levy.

Financial Analysis Summary:

CIP Category	Renewal/Enhancement																								
Project Type	Renewal & Replacement																								
Risk adjusted Discount rate	7.0%																								
Key risk factors	<ul style="list-style-type: none"> Construction costs may increase if bids to complete the required work are higher than anticipated. Project schedule could be delayed due to project complexity, weather, or the need to minimize disruptions to maintenance shop operations. 																								
Project cost for analysis	\$2,640,000																								
Business Unit (BU)	Maintenance, Real Estate Division																								
Effect on business performance	<p>This project will not generate any incremental revenue.</p> <p>The estimated incremental increase to depreciation expense resulting from this \$340,000 funding request is \$24,000/year. Total depreciation expense from this project is estimated at \$190,000/year, based on the assets identified in the preliminary asset plan. The allocation of actual project costs to specific assets will be finalized near the end of the project. NOI after Depreciation for this facility will decrease by the associated depreciation expense from this project.</p> <table border="1"> <thead> <tr> <th>NOI (in \$000's)</th> <th>2011</th> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</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>(\$72)</td> <td>(\$190)</td> <td>(\$190)</td> <td>(\$190)</td> <td>(\$190)</td> </tr> <tr> <td>NOI After Depreciation</td> <td>(\$72)</td> <td>(\$190)</td> <td>(\$190)</td> <td>(\$190)</td> <td>(\$190)</td> </tr> </tbody> </table>	NOI (in \$000's)	2011	2012	2013	2014	2015	NOI	\$0	\$0	\$0	\$0	\$0	Depreciation	(\$72)	(\$190)	(\$190)	(\$190)	(\$190)	NOI After Depreciation	(\$72)	(\$190)	(\$190)	(\$190)	(\$190)
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ECONOMIC IMPACTS AND BUSINESS PLAN OBJECTIVES:

Completing all the Marine Maintenance Solution projects allows Marine Maintenance to continue operations to maintain Seaport and Real Estate properties and to respond to emergencies.

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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.
- The roof will be completely insulated increasing the energy efficiency of the building.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Authorize \$340,000 to complete the proposed projects: Roof Replacement; Office Space Expansion; Kitchen / Break Room Upgrade; Electrical Service Upgrade; 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: Authorize \$200,000 to allow for completion of all projects with the exception of the Kitchen / Break Room Upgrade. Alternative 2 is not recommended.

Alternative 3: Eliminate the Kitchen / Break Room Upgrade and stop work on the Electrical Service Upgrade to stay within the authorized CIP budget. Alternative 3 is not recommended.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

Commission authorized \$2,300,000 for CIP C800187, Maintenance Shop Solution on May 4, 2010 (Item No. 6c, Memo dated April 16, 2010).