



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting March 23, 2021

DATE: February 22, 2021

TO: Stephen P. Metruck, Executive Director

FROM: James Truhan, Sr. Real Estate Manager, Portfolio and Asset Management
Rod Jackson, Capital Project Manager
Melinda Miller, Director, Portfolio and Asset Management

SUBJECT: P-66 Roof Upgrades (CIP# C801103) Construction Funding Authorization Request

Amount of this request: \$1,909,000
Previously Authorized: \$ 300,000
Total estimated project cost: \$2,209,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) advertise for construction bids, (2) execute construction contracts, and (3) fund the construction phase to complete the P66 Roof Upgrade Project, for a total estimated project cost of \$2,209,000.

EXECUTIVE SUMMARY

This project will extend the service life of existing P66 roofing systems via repair, overlay or replacement based on recommendations contained in a third-party assessment study completed in January 9, 2019.

The P66 Roof Upgrade project is a Tier 1 project under the Sustainable Evaluation Framework Policy Directive. As part of the Notebook documentation process, the PM consulted with environmental subject matter experts and discussed the scope of the project. Since the project is limited to roof and gutter overlays, installation of solar arrays or rain barrels would add additional elements that are far outside the scope of the current project. However, the design will not preclude these elements when future replacement is warranted. The environmental and design team has requested the exploration of design features and materials that could minimize impacts on the environment and construction best management practices.

The project is in the design/construction documentation phase, with construction documents at the 100 percent stage of completion.

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Background

The Pier 66 campus consists of Anthony’s Restaurant, the Bell Harbor International Conference Center and the Bell Street Cruise Terminal, all of which are included in the scope of this project. The campus is characterized by a diversity of roofing systems and forms, which - while adding architectural interest - increase the complexity of the system from a moisture resistance and repair/maintenance perspective.

The campus was completed in 1995; the existing roofing system is original & now 25 years old.

Goal

Extend the useful life of the existing roofing system by up to 30 years.

Objectives

- A. Protect Existing Assets
Ensure that its highly complex roofing system (consisting of multiple roofing types, levels and intersections) maintains its watertight integrity.
- B. Reduce Unplanned Maintenance Costs
Mitigate future costs related to roof leaks, including rot, mold and corrosion.
- C. Mitigate Impacts to Existing Business Operations
Coordinate with Cruise, Bell Harbor International Conference Center and Anthony’s around scheduled business events.
- D. Employ Sustainable Means and Methods
Incorporate environmentally sustainable practices during construction, where practical.

JUSTIFICATION

Immediate upgrades and replacement to the P66 Roofing Systems are critical to tenants and customers while preserving the revenue of two significant business units.

This P66 Roof Upgrade project supports all four of the Port’s Century Agenda objectives under the following strategies:

- A. Position the Puget Sound region as a premier international logistics hub.
- B. Advance this region as a leading tourism destination and business gateway.
- C. Use the Port’s influence as an institution to promote women and minority business enterprise (WMBE) growth, small business growth, and workforce development.
- D. Be the greenest, and most energy-efficient port in North America.

Further, the project supports the following additional imperatives:

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- B. Reduce Unplanned Maintenance Costs
Mitigate future costs related to roof leaks, including rot, mold and corrosion.
- C. Mitigate Impacts to Existing Business Operations
Coordinate with Cruise, BHICC and Anthony’s around scheduled business events.
- D. Employ Sustainable Means and Methods
Incorporate environmentally sustainable practices during construction where practical.

Diversity in Contracting

Project staff along with the Diversity in Contracting Division have set a woman and minority business enterprise (WMBE) aspirational goal of 5% for the construction portion of the project.

DETAILS

The project team will:

- Facilitate small business opportunities by managing expense and capital scope as a single cohesive process.
- Mitigate construction-driven business risk impacts by implementing project risk management and phasing plans.
- Complete the project safely on schedule and on budget.
- Track both the expense and capital portions of this work and distribute the costs to each designated subclass.

Scope of Work

- A. Overlay or replace existing roof membranes and surfaces.
- B. Renew or replace penetrations and appurtenances.
- C. Reseal roof intersections and transitions.
- D. Add precast pavers to Anthony’s external decks.
- E. Bird deterrent and various fall protection upgrades to all buildings.

Schedule

Commission Design Authorization	December 15, 2020
Commission Construction Authorization	March 23, 2021
Construction Start	2021 Quarter 3
In-Use Date	2022 Quarter 1

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Cost Breakdown

	This Request	Total Project
Design	\$0	\$300,000
Construction	\$1,909,000	\$1,909,000
Total	\$1,909,000	\$2,209,000*

* The current P66 Roof Upgrade total estimated project cost of \$1,743,000 under CIP #801103 is shown in the 2021 Plan of Finance. The updated current total project estimate is \$2,209,000.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Cancel Project

Maintain the current state.

Cost Implications: \$16K annually in ongoing maintenance costs.

Pros: Defers capital spending at a challenging time for Port budgets.

Cons:

- (1) Repairs and maintenance will still be needed – performed as separate projects at incrementally increased cost (due to inefficient, multi-project approach).
- (2) Future roof replacement will become imperative, as risks of failure increase, at an estimated current cost of \$1.74 million.
- (3) Increasing risk of facility damage due to water infiltration.
- (4) Increasing risk of business interruptions to BHICC, Cruise and Anthony’s restaurant due to water infiltration.
- (5) \$300,000 sunk costs.
- (6) Century Agenda environmental goals would be not be advanced with this project.

Alternative 2 – Split Projects (Expense and Capital)

Replace the proposed project with a series of Expense and Capital projects, executed over time.

Cost Implications: \$869K (Expense); \$1.34M (Capital)

Pros:

- (1) Allows tailored approach to Expense and Capital spending at a challenging time for Port budgets.
- (2) Targets the most critical roofing risks with projects tailored to the specific issues.
- (3) Opportunity to allow Port forces to perform some portions of the work.
- (4) Incrementally advances Century Agenda goals, over and extended time period.

Cons:

- (1) May not conform with procurement restrictions against project incrementation.
- (2) Extended completion timeline needed in order to accommodate funding and manpower availability.
- (3) Extended operational impacts due to an ongoing series of smaller roof projects.

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- (4) Series of smaller projects may not attract sufficient interest from commercial contractors.
- (5) Inefficient procurement approach will drive higher costs (general conditions, multiple mobilizations, etc.).

This is not the recommended alternative.

Alternative 3 – Upgrade and replace both expense and capital roof elements to the entire existing roofing system with various roof applications that have a 30-year life.

Cost Implications: \$2.20M

Pros:

- (1) Advances the Century Agenda goals.
- (2) Optimizes funding requirements.
- (3) Upgrade and replace both expense and capital project elements on the existing roofing system with various roof applications that have a 30-year life.
- (4) Efficiencies are achieved by combining both expense and capital elements for the construction documents.
- (5) This system that will protect Port assets and have a 30-year life span and will serve the Port and the tenants well.
- (6) Helps to assure a stronger positive tenant experience and avoids potential safety hazards.
- (7) Provides protection of Port assets.
- (8) This project would provide for a warranted roof that will minimize the cost of repairs going forward for the foreseeable life of the roof.

Cons:

- (1) This alternative uses \$2.20M of capital funds that might otherwise be made available for other uses on other projects.
- (2) Construction period is well within the cruise season which will restrict construction progress and activities.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
ESTIMATE HISTORY			
Original estimate	\$610,050	\$1,132,950	\$1,743,000
Current estimate	\$1,347,490	\$861,510	\$2,209,000
AUTHORIZATION			
Previous authorizations	\$104,999	\$195,001	\$300,000

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Current request for authorization	\$1,242,491	\$666,509	\$1,909,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

The project was included in the 2021 Plan of Finance under CIP C801103 P66 Roof Upgrades with a total project cost of \$1,743,000. The additional estimated cost of \$466,000 will be funded by Portfolio Management’s operating budget and C800216 EDD Reserve.

This project is funded by the General Fund.

Financial Analysis and Summary

Project cost for analysis	\$2,209,000
Business Unit (BU)	Portfolio Management
Effect on business performance (NOI after depreciation)	This project is expected to increase an annual depreciation expense by approximately \$147K based on a 15-year useful life.
IRR/NPV (if relevant)	No incremental revenue. The NPV is the present value of the project cost.
CPE Impact	N/A

Future Revenues and Expenses (Total cost of ownership)

This upgrade will provide protection of Port assets and extend their useful life. Maintaining existing assets will preserve the economic vitality of our operations and serve the Port, tenants, and customers well. This project will support the economic vitality of the operations and contribute to the preservation of annual income while minimizing the risk of disruption to the operations.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 15, 2020 - Commission approved \$300,000 for the design and permitting phase of the P-66 Roof Upgrades Replacement project (CIP# C801103) for a total authorization of \$300,000.