



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8d

**ACTION ITEM**

**Date of Meeting** June 22, 2021

**DATE :** June 7, 2021

**TO:** Stephen P. Metruck, Executive Director

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

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

<b>Amount of this request:</b>	\$600,000
<b>Previously Authorized:</b>	\$2,209,000
<b>Total estimated project cost:</b>	\$2,809,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to direct staff to award and execute Major Construction Public Works contract for MC-0320533 Pier 66 – Anthony’s, Bell Harbor International Conference Center & Cruise Terminal Roof Upgrade with Best Contracting Services, Inc. for \$1,895,000 with a WMBE commitment of 5%. Authorization will increase the total authorized budget from \$2,209,000 to \$2,809,000. (CIP# C801103)

**EXECUTIVE SUMMARY**

The Pier 66 campus consists of Anthony’s Restaurant, the Bell Harbor International Conference Center and the Bell Street Cruise Terminal. The campus roofing system is highly complex, consisting of 12 separate roof surfaces and 4 different roofing systems. Dating to 1995, it is now twenty-five years old and requires comprehensive maintenance and repair to extend its service life.

Based on Commission authorization received on March 23, 2021, bids were received on May 15, 2021. Only two bids were received, the low bid was 26% higher than the Port Engineering Estimate of \$1,501,000. The high bid was 93% higher than the Port Engineering Estimate.

The cost delta is driven primarily by limited bid competition, escalating material costs and pandemic-driven labor inefficiencies.

Meeting Date: June 22, 2021

### ***Energy & Sustainability Measures***

This project is designated “Tier 1” under the Sustainable Evaluation Framework Policy Directive.

Tier 1 projects are less complex projects that are otherwise required to follow established Port sustainability standards and specifications. As such, there is no rationale for linking this project to a large-scale sustainability upgrade (such as the installation of solar panels or implementation of a campus-level rain-water capture system).

Completion of this project does not preclude the implementation of sustainability upgrades later, for example, as part of a large-scale roof replacement project.

Currently planned P66 Energy & Sustainability measures include:

- A. Smart Metering (estimated execution in FY 2025).
- B. Anthony’s HVAC Upgrades: (FY 2022). Includes installation of more efficient infrastructure and controls.
- C. Pier 66 Shore Power: Ongoing capital project utilizing grant funding.

### **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:

- 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 Cruse, BHICC and Anthony’s around scheduled business events.

Meeting Date: June 22, 2021

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. The low bid contractor met the 5% goal for the project.

**DETAILS**

***Project Approach***

- 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

***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***

*Activity*

Commission Authorization for Construction	April 2021
Commission Additional Funding Authorization	June, 2021
Construction	August 2021 – December 2021
In-Use Date	Quarter 1 2022

***Bid Proposal Summary***

Only two bids were received.

The low bid was 26% (\$393K) over the Port estimate; the second bid was 93% (\$1,391K) over the Port estimate.

Meeting Date: June 22, 2021

	PORT OF SEATTLE ESTIMATE	LOWEST COMPETITIVE BID
DATE PREPARED	2/19/21	5/15/21
ESTIMATED COST	\$1,502,000	\$2,271,639

Bidding Context

According to a report by the Associated General Contractors (Vol. 21, No. 19 · May 12-17, 2021), materials costs rose at a record pace in April with more increases expected. Indications also were that labor availability was tightening, reflected by a jump in job openings in March.

**Authorization Summary**

CATEGORY	Capital	Expense	Total
Previous Commission Authorization	\$1,347,490	\$861,510	\$2,209,000
Current Request for Authorization	\$366,000	\$234,000	\$600,000
<b>Total Authorizations, Including This Request</b>	<b>\$1,713,490</b>	<b>\$1,095,510</b>	<b>\$2,809,000</b>

**Annual Budget Status and Source of Funds**

This project has been included in the 2021 Plan of Finance under C801103 P66 Roof Upgrade at an estimated total project cost of \$1,743,000.

The expense portion of the project will be covered by expense budgets of Portfolio Management and Cruise Operations. This project is funded by the General Fund.

**Financial Analysis and Summary**

Project cost for analysis	\$2,809,000
Business Unit (BU)	Portfolio Management & Cruise Operations
Effect on business performance (NOI after depreciation)	The project will increase 2021 operating expense by approximately \$1M and increase annual depreciation expense by approximately \$57K.
IRR/NPV (if relevant)	NA
CPE Impact	NA

**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 support Port, tenant, and

Meeting Date: June 22, 2021

customer needs. This project will support the economic vitality of the operations and contribute to the preservation of revenue while minimizing the risk of disruption to the operations.

***Alternatives and Implications Considered***

**ALTERNATIVE 1 – Reject All Bids/Cancel Project**

**Cost Implications:**

Near term capital savings, offset by higher long-term costs incurred due to deferred maintenance and much less efficient incremental approach to completing required upkeep and repairs.

**Pros:**

- (1) Near term capital savings

**Cons:**

- (1) \$249,000 sunk costs to date on project development and design
- (2) Overall net increase in costs over the proposed project due to emergency repairs and less efficient incremental approach to required maintenance
- (3) Higher risk of operational disruption due to potential leaks
- (4) Higher risk of facility damage due to water infiltration.
- (5) Indefinite deferral could also lead to the risk of catastrophic failure.

**ALTERNATIVE 2 – Rebid at a later date**

**Cost Implications:**

Cost to be determined at a later date. Although higher costs would generally be the case over time, deferral may avoid or mitigate current labor and material cost impacts that have been associated with the pandemic.

**Pros:**

- (1) Shifts potentially disruptive project work to well after the COVID 19 pandemic, when BHICC, Anthony's and the Cruise activities will have normalized
- (2) Opportunity to reassess the bid climate in the next few months, when labor and materials costs may have declined
- (3) Potential for Increased bid competition if more market interest can be generated
- (4) Defers near-term capital expenditures at a challenging time for Port budgets

Meeting Date: June 22, 2021

Cons:

- (1) No assurance that material and labor conditions will have improved
- (2) Delays needed roof maintenance to the summer of 2022

**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 for a total authorization of \$300,000.

March 23, 2021 - Commission approved \$1,909,000 for the construction phase of the P-66 Roof Upgrades Replacement project for a total authorization of \$2,209,000.