



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8i

ACTION ITEM

Date of Meeting December 14, 2021

DATE: November 9, 2021

TO: Stephen P. Metruck, Executive Director

FROM: Jessica Carlson, Real Estate Manager
Rod Jackson, Capital Project Manager
Melinda Miller, Director, Portfolio and Asset Management

SUBJECT: C14 Building Envelope Upgrade (CIP # 801164) Design Funding Request

Amount of This Request: \$150,000
Total estimated project cost: \$3,978,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to develop design documents, execute professional service contracts, apply for permits and to prepare construction documents for the Fishermen’s Terminal C14 Downey Building Upgrades Project. Total request for this action is \$150,000 for a total project cost of \$3,978,000.

EXECUTIVE SUMMARY

The C14 Downey Building is 43 years old with its critical components at the end of their programmed service lives. The current condition of the C14 Downey Building, built in 1978, is very poor. The declining building condition includes window leaks, roof leaks, various structural settlement concerns, deteriorated rotted siding and Roof Top Unit’s (RTU’s) that are well beyond their service lives. Proposed modernization and upgrades are needed now to improve reliability, eliminate slip/trip hazards, and improve customer experience while upgrading the buildings electrical, structural, HVAC and control systems. This project will extend the service life of the existing C14 Downey Building systems via envelope replacement, repair, or overlay, based on recommendations contained in a third-party assessment completed in March 2015. Additionally, due to funding priorities over the past few years, this envelope project was deferred but is now ready to move forward due to its critical need.

The project is currently in the preliminary design/construction documentation phase, with preliminary design at the 30% stage of completion.

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JUSTIFICATION

This project supports the following Century Agenda objectives:

1. Position the Puget Sound region as a premier international logistics hub.
2. Advance this region as a leading tourism destination and business gateway.
3. Use the Port’s influence as an institution to promote women and minority business enterprise (WMBE) growth, small business growth, and workforce development.
4. 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 Envelope system maintains its watertight integrity.
- B. Reduce Unplanned Maintenance Costs
Mitigate future costs related to HVAC failures, including roof leaks, rot, mold, and corrosion.
- C. Mitigate Impacts to Existing Business Operations
Coordinate with C14 Building tenants and work around scheduled business events.
- D. Employ Sustainable Means and Methods
Incorporate environmentally sustainable practices during construction where practical.

Diversity in Contracting

The design portion is under an existing Indefinite Delivery/Indefinite Quantity (IDIQ) contract which was established prior to the Diversity in Contracting program. This IDIQ has a 17% small business goal associated with it. The Diversity in Contracting Department will set a woman and minority business enterprise (WMBE) aspirational goal for the construction contract.

DETAILS

The 15,460 sq. ft. C-14 Downey Office Building is located at Fishermen’s Terminal. The building needs repairs and infrastructure updates. A third-party consultant performed a condition assessment in 2015 that recommended multiple envelope improvements. This is primarily in response to that condition assessment. This project consists of replacing the exterior envelope (siding, building insulation, windows, and doors), the HVAC system, and providing electrical upgrades to support the HVAC replacement. The HVAC system is beyond the end of its service life and is ready for replacement. Additionally, the existing system uses natural gas heating. The units will be replaced with all electric heat pumps to meet the Port’s environmental goals as well as to meet the current Seattle Energy Code. The new heat pumps will be the highest efficiency class units offered to meet the Century Agenda environmental goals. New HVAC controls will also be provided along with the new rooftop units. The current HVAC system uses ductwork to distribute heated and cooled air from the rooftop units. Since the ductwork is constructed of poor-quality materials they will also be replaced. New touch free plumbing fixtures will be

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provided in the restrooms. This includes touch free lavatories, soap dispensers, water closets, and urinals. We will determine later if the domestic water heaters will be replaced. Electrical upgrades will be performed to support the new HVAC equipment. The building currently uses 208V 3-phase power. New power will be provided for the new HVAC units. Because the grade on the 1st floor is uneven, the slip/trip hazard will be eliminated by leveling the floor at the ramp to the restrooms in the area that demand attention.

Scope of Work

The scope of work for the C14 Building Envelope Upgrade project includes the evaluation and design for the following:

- (1) Evaluate and design new energy-efficient electric roof top HVAC units which will replace the existing natural gas units and components,
- (2) Siding and exterior insulation replacement,
- (3) Roof, curb, and parapet replacement,
- (4) Interior duct work and wall modifications,
- (5) Metering of existing tenant spaces,
- (6) Plumbing upgrades that include touchless toilets, urinals, and faucets,
- (7) Exterior window and door replacements,
- (8) Structural upgrades to address lateral structural needs, and to address settlement concerns,
- (9) Use environmentally sustainable components and methods as appropriate, such as: idling control measures, waste minimization, and selecting materials with limited toxicity and greenhouse gas emissions.

Schedule

Activity

Commission design authorization	December 14, 2021
Final design start	December 2021
Commission construction authorization	Q3/Q4, 2022
Construction start	Q1 2023
In-use date	Q1 2024

Cost Breakdown

	This Request	Total Project
Design	\$150,000	\$325,000
Construction	0	\$3,653,000
Total	\$150,000	\$3,978,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing, Maintain the current state and delay building upgrades and repairs. Maintenance costs of \$41K annually (averaged over 4 years) will continue.

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Cost Implications: \$41K

Pros:

- (1) Saves Port funding.
- (2) Allows port to reallocate capital investment dollars.

Cons:

- (1) Does not advance efforts to achieve Century Agenda goals.
- (2) Increases the chances that water infiltration will disrupt tenant activities and damage the interior of the facility causing expensive repairs.
- (3) Increase of probable construction costs in the future while emergency repair costs continue to increase.
- (4) The cost of a future roofing project and additional repairs in the event of roof failure would be the full cost of replacement (\$3.97 million) plus escalation and the cumulative ongoing expense costs. Risk cost of lost tenant space due to emergency repairs is unknown but likely would be high.
- (5) Safety of the tenant could be compromised due to the slip hazard to tenant and employees.
- (6) Indefinite deferral could also lead to the risk of catastrophic failure.
- (7) Maintenance costs will continue.

This is not the recommended alternative.

Alternative 2 – Base Envelope Upgrade including lateral structural support to maintain West Emerson Place façade wall windows (17ea).

Cost Implications: \$4.55M

Pros:

- (1) Advances Century Agenda goals.
- (2) Upgrade and replace various elements on the existing C14 Building will provide a 50+ year life for the building, with the Roofing and Window systems will have a 30+ year life with good maintenance.
- (3) The new electric HVAC system will have a 20–25-year life span and serve the Port and the tenants well.
- (4) The siding replacement will have a 50-year life.
- (5) Helps to assure a stronger positive tenant experience and avoids potential safety hazards.
- (6) Provides protection of Port assets.
- (7) Provide warranted building elements that will minimize the cost of repairs going forward for the foreseeable life of the building.

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Cons:

- (1) This alternative uses \$4.55M of capital funds that might otherwise be made available for other uses on other projects.
- (2) Repairing and replacing various elements and upgrades will provide a higher total cost of ownership than Alternative 3.
- (3) C14 Downey sheer wall installation will require seventeen (17each) windows on the W. Emerson PL. side of the building to be retained with the installation of the steel lateral structural support.

This is not the recommended alternative

Alternative 3 – Base Envelope Upgrade including lateral structural support will eliminate West Emerson Place façade wall windows (17ea).

Cost Implications: \$3.97M

Pros:

- (1) Advances Century Agenda goals.
- (2) Upgrade and replace various elements on the existing C14 Building will provide a 50+ year life for the building, with the Roofing and Window systems will have a 30+ year life with good maintenance.
- (3) The new electric HVAC system will have a 20–25-year life span and serve the Port and the tenants well.
- (4) The siding replacement will have a 50-year life.
- (5) Repairing and replacing various elements and upgrades will provide a lower total cost of ownership than Alternative 2.
- (6) Helps to assure a stronger positive tenant experience and avoids potential safety hazards.
- (7) Provides protection of Port assets.
- (8) Provide warranted building elements that will minimize the cost of repairs going forward for the foreseeable life of the building.

Cons:

- (1) This alternative uses \$3.97M of capital funds that might otherwise be made available for other uses on other projects.
- (2) C14 Downey sheer wall installation will require seventeen (17each) windows on the W. Emerson PL. side of the building to be eliminated and blocked off to provide timber lateral structural support.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary **Total**

COST ESTIMATE	
Original estimate	\$3,978,000
AUTHORIZATION	
Previous authorizations	\$182,000
Current request for authorization	\$150,000
Total authorizations, including this request	\$325,000
Remaining amount to be authorized	\$3,653,000

Annual Budget Status and Source of Funds

This project has been included in the 2022 Plan of Finance under C801164 FT C14 Downey Building Improvements at an estimated total project cost of \$3,233,000. The additional estimated cost of \$745,000 would be funded by C800002 Maritime Reserve.

This project will be funded by the Tax Levy.

Financial Analysis and Summary

Project cost for analysis	\$3,978,000
Business Unit (BU)	Maritime Portfolio Management
Effect on business performance (NOI after depreciation)	The project will maintain current revenue sources from C14 Downey Building and generate additional revenues when complete. Depreciation will increase by \$132,600 per year, based on its useful life of 30 years.
IRR/NPV (if relevant)	MIRR = 6.4% using a discount rate of 5.6% Payback = 15 years
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, their customers well.

Environmental Summary:

This project is Tier 2 under the Sustainable Evaluation Framework. Third-party certification is not being pursued due to the project’s limited scope, but green design options are being considered. Opportunities are being explored to reduce the building’s and construction project’s carbon footprint, increase energy efficiency, eliminate natural gas, and reduce stormwater flows to the

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City's combined sewer outfall. Solar opportunities were explored but eliminated from scope due to weight and building positioning.

The C14 Downey Building Envelope and HVAC System Replacement Project demonstrates the value of sustainable project evaluation processes which consider social, environmental, and economic benefits holistically. Sustainability goals include energy efficiency, environmental health, sustainable asset management, material reuse, financial sustainability, and tenant impacts. These goals will be considered to identify a recommended alternative that maximize objectives while balancing costs and project objectives.

ATTACHMENTS TO THIS REQUEST

- (1) Sustainable Design Approach (SDA)
- (2) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.