



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8d

ACTION ITEM

Date of Meeting October 24, 2023

DATE : October 17, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Jennifer Maietta, Director of Real Estate Asset Management
Lily Ninburg, Real Estate Manager
Julie Yun, Waterfront Capital Project Manager

SUBJECT: Terminal 91 Buildings (M-39, W-28, M-19) Demolition (CIP# C801372)

Amount of this request: \$850,000

Total estimated project cost: \$9,100,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to authorize \$850,000 in funding to proceed with Design and Permitting of the Terminal 91 Buildings (M-39, W-28, M-19) Demolition project. This request would increase the total project authorization to date to \$1,000,000 out of a total estimated project cost of \$9,100,000.

EXECUTIVE SUMMARY

This project addresses the need for demolition of three buildings—W-39, M-28, and M-19—at Terminal 91. These buildings were originally built in in 1920s-1940s for varied industrial uses, including cold storage (W-39), food processing and maintenance shop (M-28), and industrial warehouse (M-19). All three buildings are considered past design life (e.g., roofing, electrical, mechanical, and fire life safety systems etc.), carry safety hazards and liability associated with hazardous materials and fire suppression safety, and have no revenue generating potential identified in their current condition. Recent condition assessments and planning evaluations around retrofit alternatives have demonstrated that demolition is the recommended option. Demolishing these 3 buildings will remove existing hazards, protect the Port of Seattle from potential liabilities, and eliminate continued cost of maintaining unleaseable vacant buildings. The design and permitting effort will include hazardous material abatement and safe disposal, isolation of all utilities, and coordination with transportation agencies regarding temporary and permanent impacts to transportation and transit infrastructure.

JUSTIFICATION

This project supports the following Century Agenda goals:

- (1) Goal 3: Responsibly invest in the economic growth of the region and all its communities.

Meeting Date: October 24, 2023

Objective 7: Advance maritime industries through innovation, strategic investment, and capable management of Port facilities.

(2) Goal 6: Be a Highly Effective Public Agency.

Objective 19: Set the standard for high quality, cost-effective, and timely delivery of capital programs.

This demolition will eliminate high cost of maintaining vacant and unleasable buildings and create potential revenue through yard storage and laydown lease opportunities. This project will precede future planning efforts to evaluate the overall use of Terminal 91.

Diversity in Contracting

The project team is in collaboration with the Diversity in Contracting Department to establish a Women and Minority-owned Business Enterprise (WMBE) aspirational goal for the project-specific design services contract. Historically, design services contracts of similar project scope have utilized aspirational goals between 10-16% and this project is anticipated to arrive within a similar range.

DETAILS

Scope of Work

This authorization will allow for the procurement of a design services consultant that will support the Design and Permitting effort. The project team will pursue a Project-Specific contract to meet design support needs while also expediting the project schedule (versus the alternate option to sustain delays by procuring design support through a new IDIQ contract).

The project scope includes, but is not limited to, the following key elements:

- (1) Demolish 3 buildings (W-39, M-28, and M-19) down to slab level.
- (2) Abate and dispose of hazardous materials.
- (3) Decommission substation 10 inside building W-39.
- (4) Disconnect and/or relocate all utilities and equipment as appropriate.
- (5) Demolish W-39 apron connection to the Magnolia Bridge. Restore appropriate pedestrian access and safety barriers.
- (6) Coordinate temporary and permanent relocation of transportation infrastructure in good faith to the public and to collaborating transportation agencies (Seattle Department of Transportation and King County Metro).
- (7) Coordinate with Washington Department of Ecology pertaining to conditions of the Agreed Order at Terminal 91.

Schedule

The demolition of the three buildings at Terminal 91 will be in close coordination with external coordinating agencies as well as with Port stakeholders and other projects being executed near

Meeting Date: October 24, 2023

the project area. Demolition of the three buildings will be sequenced to minimize impact to facility operations and simultaneous projects within the project vicinity.

Activity

Commission Design Authorization	2023 Q4
Design Start	2024 Q2
Commission Construction Authorization	2025 Q2
Construction Start	2025 Q3
In-use Date	2026 Q1

Cost Breakdown

	This Request	Total Project
Design	\$850,000	\$1,000,000
Construction	\$0	\$8,100,000
Total	\$850,000	\$9,100,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Defer the scope of work identified for this authorization request.

Cost Implications: Preservation of expense funds in the amount of \$850,000.

Pros:

- (1) Preservation of expense funds towards other operations/projects.

Cons:

- (1) Continued cost of maintaining 3 vacant, non-operational, and unleasable buildings within the Port Real Estate portfolio.
- (2) Potential liability due to security, vandalism, and fire risks associated with vacant buildings.
- (3) Potential liability due to hazardous material exposure, fire suppression inadequacies.
- (4) Potential for reactive and uncontrolled demolition project due to future structural and electrical failure.

This is not the recommended alternative.

Alternative 2 – Demolition of less than full scope of 3 buildings.

Cost Implications: Preservation of expense funds up to \$850,000.

Pros:

- (1) Preservation of expense funds towards other operations/projects.

Cons:

- (1) Loss of schedule and cost efficiencies due to separate design and construction efforts.

This is not the recommended alternative.

Meeting Date: October 24, 2023

Alternative 3 – Proceed with the demolition of the 3 buildings as proposed.

Cost Implications: Allocation of \$850,000 in operating expense.

Pros:

- (1) Eliminate hazards and liabilities of maintaining 3 vacant, non-operational, and unleaseable buildings.
- (2) Eliminate cost of maintaining 3 vacant, non-operational, and unleaseable buildings.
- (3) Gained efficiency in coordinating design and construction of 3 building demolitions, versus individual demolition projects.
- (4) Creation of potential revenue generating opportunity via ground lease space in the near term and other future uses.

Cons:

- (1) Temporary construction impacts.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$0	\$9,100,000	\$9,100,000
AUTHORIZATION			
Previous authorizations	\$0	\$150,000	\$150,000
Current request for authorization	0	\$850,000	\$1,000,000
Total authorizations, including this request	0	\$1,000,000	\$1,000,000
Remaining amount to be authorized	\$0	\$8,100,000	\$8,100,000

Annual Budget Status and Source of Funds

This project has been included in the draft 2024 Budget with a non-operational expense of \$1.825 million in 2024. The total cost of the project is included in the draft 2024 Capital Plan as a major expenditure under C801372.

This project is funded by the General Fund.

Financial Analysis and Summary

Project cost for analysis	\$9,100,000
Business Unit (BU)	Maritime Portfolio Management
Effect on business performance (NOI after depreciation)	This project will increase non-operational expenses by \$9.1 million over the project period.
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

Meeting Date: October 24, 2023

ADDITIONAL BACKGROUND

None.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None.