

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9B</u>
Date of Meeting	<u>November 1, 2022</u>

DATE: October 17, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial & Strategy Officer

Project Manager: Stefan Wynn, Capital Project Manager – Maritime & Waterfront, Port of Seattle; Erin DeBroux, Sr. Real Estate Manager, NWSA

SUBJECT: Project authorization increase for work associated with the T-106 U.S. Customs and Border Protection Facility Renovation Project.

A. ACTION REQUESTED

1. DUAL VOTE: Project authorization increase for work associated with the T-106 U.S. Customs and Border Protection Facility Renovation Project.

- a. Request Managing Members authorization to: approve project authorization increase in the amount of \$1,300,000 to complete all work associated with the T-106 U.S. Customs and Border Protection Facility Renovation Project, Master Identification No. U00520 and U00690 for a total authorized amount not to exceed \$7,702,000.
- b. Jointly, request the Commissioners of the Port of Seattle authorize to: approve project authorization increase in the amount of \$169,000 for a total authorized amount not to exceed \$1,001,260 which is to be reimbursed in full to the NWSA following the substantial completion of all work associated with the T-106 U.S. Customs and Border Protection Facility Renovation Project, Work Project No. U00690.

B. SYNOPSIS

All United States ports of entry are generally required by U.S. Customs and Border Protection (“CBP”) to provide suitable and reasonable office, workspace and parking to CBP. Existing facilities may continue to be operated even though they may not be in compliance with CBP’s standards. However, if any significant changes are made to

a seaport terminal operation, CBP requires updates to its existing facilities to meet its standards. CBP exercised this requirement due to the modernization project for Terminal 5. NWSA's request for radiation portal monitors at Terminal 5 constituted a seaport operation change prompting CBP to request office and workspace meeting current CBP requirements.

Authorization in the total amount of \$6,402,000 was received from the Managing Members on August 3, 2021 to complete a facility and workspace renovation project at the Terminal 106 ("T106") CBP location ("the CBP Renovation") and to execute an alternative public works delivery contract using the Design-Build project delivery method. Following this authorization, the Project was advertised and a Request for proposal ("RFP") was issued in March 2022 with responses from three firms. Upon review of the RFP responses, the Basis of Design ("BOD") could not be delivered for the estimated budgeted amount. Subsequently it was also identified that the roof would need to be replaced and added to the project as a separate authorization and funding. An addendum was issued on September 12, 2022 which refined the BOD, added the roof scope and invited the three firms to submit a Best and Final offer (BAFO). The results of the BAFO for the CBP Facilities Renovation scope which does not include the roof replacement are greater than the total authorized amount of \$6,402,000 (allocated 87% NWSA and 13% POS), and authorization of additional funds is required to allow the Project to proceed with the award of contract.

The Managing Members approved separate funding in the amount of \$1,700,000 on September 7, 2022 for the additional scope of the roof replacement. This a Port of Seattle owned asset and a POS project with costs (allocated 55% NWSA and 45% POS). The final offers for this scope came in within the authorized amount.

C. BACKGROUND

CBP staff providing international cargo inspection services, has been officing out of both T106 and Terminal 102 ("T102") since 1998 under an agreement with POS. The T106 facility supports 75 staff and is approximately 19,317 square feet combined office and warehouse space, 31,260 square feet of yard, and 4,720 square feet of parking. The T102 facility, also a Port of Seattle asset, supports 37 staff and is approximately 6,803 square feet of combined office space. Neither facility meets current CBP requirements for suitable workspace. As a part of the office and workspace improvements, CBP will relocate the staff from T102 and consolidate these offices to T106. The total co-located CBP space will include approximately 23,232 square feet combined office and warehouse space, 31,260 square feet of yard space, and 4,850 square feet of parking area (hereinafter the "Premises"). The T106 Premises improvements are passed their useful life and require substantial upgrades to bring systems, including but not limited to, plumbing,

fire, etc. to current code compliance. Additionally, the roof to the 2W building at T106 is at the end of its useful life and is being replaced as part of this project.

T106 CBP Facility Renovation Project Update:

Following authorization of funding in August 2021, the project Basis of Design (BOD) was developed, and the design build project Request for Qualifications (RFQ) was advertised in December 2021. After selection of three short list finalists, the RFP was issued March 2022 with the consensus scoring happening on June 8, 2022.

The final engineer's construction estimate, relied upon to determine maximum funding available for the work, was \$4,650,000. Three proposals were received with bids ranging from \$4.6 million to \$6.6 million. Review of the RFP responses confirmed that the Basis of Design ("BOD") could not be delivered for the estimated budgeted amount. An assessment of the roof was also completed during this time which revealed that the existing roof was past its useful life and would need to be included into the project scope but because it is a Port of Seattle asset, would need a separate authorization and funding. Based on these factors it was determined award of the contract could not occur without an additional addendum to the RFP.

After receiving separate funding authorization in the amount of \$1,700,000 to add the T106 Roof replacement in September 2022, a final addendum was issued, and Best and Final offers (BAFO) were requested for the CBP Facility Renovation scope and for the Roof Replacement scope from the three short list firms on October 4, 2022. This addendum refined the BOD to clarify the scope and incorporate potential savings opportunities identified by three submitting teams. The three received bids for the CBP Facility Renovation were within 7% of each other which creates a high degree of confidence that the same scope of work and inclusion of all required elements was captured in these bids. The Roof Replacement bids all came in under the authorized amount.

Based on review of the bids, the primary factors leading to elevated bid values include:

- The received bids are based on an actual design, while the engineer estimate was based on a conceptual space plan.
- The engineer's estimate was completed 5 months prior to the final BOD and did not capture all the unique requirements from the CBP Cargo Facilities Design Standards such as the rating of sound isolation of a building wall

assembly known as the Sound transmission class (STC), or large redundancies in cabling and conduit.

- Escalation increases to 16% from 4.95% in the engineers initial 2021 estimate
 - Continued material increases due to US inflation.
 - Increased labor cost particularly in the Puget Sound region due to a tight construction and labor market.
 - Uncertainty due to global supply chain issues.

The construction estimate for the roof was \$1,172,000 and the three bids came in between \$404,125 and \$622,255.

D. PROJECT DESCRIPTION AND DETAILS

Project Objectives

The project objective is to modify the existing space to support 85 staff and meet current code requirements. In addition, existing infrastructure will remain in its current location to the extent possible to minimize constructions costs.

- ***Schedule – This request does not impact schedule***

RFP review (Completed)	October 2022
Contract Award	November 2022
Substantial Completion	May 2024

E. FINANCIAL IMPLICATIONS

Project Cost Details – CBP Facility Renovation, roof scope not included

Phase	Total Previous Request	This Requests	Total Project Cost	Cost to Date	Remaining Cost
Procurement / management	\$1,752,000	\$350,000	\$2,102,000	\$212,000	\$1,890,000
Design Build	\$4,650,000	\$950,000	\$5,600,000	\$0	\$5,600,000
Total	\$6,402,000	\$1,300,000	\$7,702,000	\$212,000	\$7,490,000

Initial Estimated Cost of Project –CBP renovation and Roof replacement

The total project cost is \$8,102,000.

Revised Estimated Cost with This Request –CBP renovation and Roof replacement

The total estimated cost of construction is \$8,254,000.

Estimated Cost Commitments –CBP renovation and Roof replacement

NWSA \$7,004,340 (\$499,600 increase)

POS \$1,249,660 (\$347,600 decrease)

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$665,000.

Source of Funds

1. NWSA: The current NWSA Capital Improvement Plan (CIP) Budget allocates \$6,402,000 for this project, Master Identification No. U00690 and U00520. An additional \$1,300,000 will be added during the 2023 CIP budget process bringing the total to \$7,702,000. 13% of this cost (\$1,001,260) will be reimbursed by the POS upon completion of the project for a total cost of \$6,700,740 to the NWSA.
- a. Port: The current POS Capital Improvement Plan (CIP) Budget allocates \$832,260, Work Project No. U00690 for this project based upon the estimate of \$6.4 million. The additional \$1.3 million will increase this amount to \$1,001,260 based upon POS allocation of 13% of total costs.

Financial Impact

Project costs associated with the T-106 CBP Office and Facility Renovation and the T46 Roof renovation will be capitalized and depreciated over an estimated 10-year life. The increase in the office renovation is partially offset by the reduction in the

roof costs. The net increase in total cost to the NWSA is approximately \$500,000, or approximately \$50,000 per year for ten years.

F. ENVIRONMENTAL IMPACTS/REVIEW

Permitting:

Permitting will be the responsibility of the selected Design Build team and included as part of the larger renovation project permit.

G. ATTACHMENTS TO THIS REQUEST

Slide presentation

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
August 3, 2021	Managing Members authorization – CBP Facility Renovation	\$6,402,000
August 3, 2021	Dual action approval by Managing Members and Port of Seattle – Enter Interlocal Agreement.	-
September 7, 2022	Managing Members Authorization for T106 2W roof replacement	\$1,700,000
September 7, 2022	Dual action approval by Managing Members and Port of Seattle – Modify Interlocal Agreement.	
TOTAL		\$8,102,000