

# THE NORTHWEST SEAPORT ALLIANCE

## MEMORANDUM

### MANAGING MEMBERS

Item No.

9B

### ACTION ITEM

Date of Meeting

January 4, 2023

**DATE:** January 4, 2023

**TO:** Managing Members

**FROM:** John Wolfe, CEO

**Sponsor:** Tong Zhu, Chief Commercial & Strategy Officer

**Project Manager:** Arthur Kim, Capital Program Manager III, Port of Seattle

**SUBJECT:** **Terminal 46 Substation #1 Replacement Request for Additional Funds and Bid Irregularity**

### **A. ACTION REQUESTED**

#### **For NWSA Managing Members to vote:**

- a. As referenced in NWSA Resolution No. 2020-02, Exhibit A, Delegation of Authority Master Policy, Paragraph 8.c.iii., states project costs exceeding \$300,000 require approval from Managing Members.

Request an increased project authorization in the amount of \$1,300,000 for a total authorized amount of \$8,000,000, 20% of which is to be allocated to the Port of Seattle (POS) for the replacement of Substation No. 1 located on Terminal 46 servicing both areas of Terminal 46 licensed to the NWSA and the Terminal 46 North Pier under Port of Seattle management, Master Identification No. U00671.

#### **For Port of Seattle Commission only to vote:**

- b. Request Port of Seattle Commission authorization for the Executive Director or their delegate to increase the total costs not to exceed from \$1,340,000 to \$1,600,000 for reimbursement to the NWSA for the replacement of Substation No. 1 located on Terminal 46 licensed to the NWSA and the Terminal 46 North Pier under Port of Seattle management, Master Identification No. U00671.
- c. Request Port of Seattle authorization to proceed with awarding the T46 Substation #1 Replacement project contract to the most responsive bidder, which is 13% (more than 10%) above the final Engineer Estimate.

**B. SYNOPSIS**

T46 Substation #1 Replacement bid is greater than 10% above the engineer's estimate, and the project budget is not sufficient to complete the project.

This request is to increase the project authorization to complete the work and to request POS authorization to award to the most responsive bidder.

**C. BACKGROUND**

In May 2022, The Northwest Seaport Alliance (NWSA) approved alternative delivery Design-Build for T46 Substation Replacement for an overall project budget of \$6,7000,000.

The project has two major components:

1. Replace the substation
2. Replace the Seattle City Light (SCL) transformer

Due to staffing shortages at Seattle City Light and lead times for transformers in the 18–24-month range, coordination with SCL has been delayed and forced staff to phase the project. In phase 1, the new Port-owned substation will be installed and in phase 2, the SCL-owned transformer will be installed. Historically, phasing has increased a project's costs 15-20%, but with unprecedented escalations, project delays are raising project costs higher than normal.

Since May approval, the project has moved forward through the Request for Proposals stage to select the bidder. The bids were reviewed on November 18<sup>th</sup>, 2022, and the preferred proposal is greater than 10% higher than the engineer estimate. This is a bid irregularly as defined by the POS.

The increase in the budget also indicates that the overall project budget is not sufficient to complete the project.

**D. PROJECT DESCRIPTION AND DETAILS*****Project Objectives***

The project objective is to replace substation #1 at T46 due to unsafe conditions, age, and high risk of failure. The project will also present an opportunity for SCL to replace the adjacent transformer.

**Schedule**

This request includes a revised schedule to show the two-phase approach.

Phase	Baseline Date	Current Forecast
Contract Award (Phase 1)	January 13, 2023	February 1, 2023
Substantial Completion (Phase 1)	N/A	November 30, 2024
Contract Award (Phase 2)	N/A	July 30, 2023
Substantial Completion (Phase 2)	July 9, 2024	February 28, 2025

**E. FINANCIAL IMPLICATIONS*****Phasing Costs***

PHASE	Total Previous Request	Current Request	Total Project Cost	Cost to Date	Remaining Cost
Phase 1	\$6,700,000	\$0	\$6,700,000	\$176,738	\$6,523,262
Phase 2	\$0	\$1,300,000	\$8,000,000	\$0	\$1,300,000
<b>Total</b>	\$6,700,000	\$1,300,000	\$8,000,000	\$176.738	\$7,823,262

**Project Cost Details**

	This Request	Total Project Cost	Cost to Date	Remaining Cost
Procurement	\$ -	\$ 100,000	\$ 50,000	\$ 50,000
Pre-Design	\$ -	\$ 250,000	\$ 126,738	\$ 123,262
Design & Construction	\$ 1,300,000	\$ 7,650,000	\$ -	\$ 7,650,000
<b>Total NWSA</b>	<b>\$ 1,040,000</b>	<b>\$ 6,400,000</b>	<b>\$ 141,390</b>	<b>\$ 6,258,610</b>
<b>Total POS</b>	<b>\$ 260,000</b>	<b>\$ 1,600,000</b>	<b>\$ 35,348</b>	<b>\$ 1,564,652</b>
<b>Total Project Cost</b>	<b>\$ 1,300,000</b>	<b>\$ 8,000,000</b>	<b>\$ 176,738</b>	<b>\$ 7,823,262</b>

**Source of Funds**

The current NWSA Capital Investment Plan (CIP) Budget allocates \$5,360,000 for this project. The budget will be updated during the 2024 budget process.

**Financial Impact**

Project costs net of the POS portion will be capitalized and depreciated over an estimated useful life of 20 years, resulting in annual depreciation expense of approximately \$320,000, an increase of \$52,000 per year. This project is necessary to support any potential maritime cargo related long lease of T46. The estimated revenue of a partial lease of T46 is estimated between \$7 million and \$9 million dollars per year. Actual results will depend on negotiations with the future tenant(s).

The Port of Seattle will depreciate their 20% of the cost assuming a 20-year depreciable life resulting in an annual depreciation of approximately \$80,000 per year, an increase of \$13,000 per year.

**F. ENVIRONMENTAL IMPACTS/REVIEW**Permitting:

- SEPA Review (Port)
- L&I Certification for prefabricated building/enclosure (Contractor obtains permit)
- City of Seattle Construction Permit (Contractor obtains permit as deferred submittal)
- City of Seattle Electrical Permit (Contractor obtains permit as deferred submittal)

**G. ATTACHMENTS**

- Presentation

**H. PREVIOUS ACTIONS OR BRIEFINGS**

<b>Date</b>	<b>Action</b>	<b>Amount</b>
June 8, 2021	Executive Authorization	\$100,000
May 2, 2022	Project Authorization	\$6,600,000
<b>TOTAL</b>		<b>\$6,700,00</b>