

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8A
Date of Meeting September 7, 2022

DATE: July 27, 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: T-106 U.S. Customs and Border Protection Facility Renovation Project – Roof Funding Request and First Addendum to Interlocal Agreement

A. ACTION REQUESTED

The following requests for authorization are related to providing U.S. Customs and Border Protection facility (office and workspace) at Terminal 106.

1. DUAL VOTE: First Addendum to Interlocal Agreement:

- a. Request Managing Members of The Northwest Seaport Alliance authorization for the Chief Executive Officer or their delegate to enter into a First Addendum to the Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance Regarding the Port of Seattle’s Use of a Portion of Building 2W Located on Terminal 106 to identify the roof renovation plan and timeline.
- b. Jointly, request the Commissioners of the Port of Seattle authorization for the Executive Director or their delegate to enter into a First Addendum to the Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance Regarding the Port of Seattle’s Use of a Portion of Building 2W Located on Terminal 106 to identify the roof renovation plan and timeline.

2. DUAL VOTE: Roof Renovation Funding:

- 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 Managing Member authorization to: (1) approve project authorization in the amount \$935,000 which is to be allocated in full to the Port of Seattle following substantial completion of all work associated replacement of the building 2W roof, Master Identification No. 2022-75; and (2) develop, advertise, and execute an alternative public works delivery contract using the Design-Build project delivery method.

- b. Jointly, request the Commissioners of the Port of Seattle authorization to: (1) approve project authorization in the amount \$1,700,000 to complete all work associated replacement of the building 2W roof, POS WP U00701; and (2) develop, advertise, and execute an alternative public works delivery contract using the Design-Build project delivery method.

B. SYNOPSIS

The roof of the building 2W at Terminal 106 (“T106”) is a Port of Seattle (“Port”) asset identified to be in need of repair. The current low slope portion of the roof, which makes up a little less than 80% of the entire roof is past its useful life and has had persistent leaks over the last two years. This project will replace this area of roof with a new 20-year membrane roof and improve drainage. The Port and The Northwest Seaport Alliance (“NWSA”) will each pay its pro-rata share of the replacement cost in accordance with the Interlocal Agreement dated August 3, 2021 (the “ILA”).

C. BACKGROUND

CBP staff providing international cargo inspection services have been officing out of both T106 and Terminal 102 (“T102”) since 1998 under an agreement with the Port. Neither location meets CBP standards for suitable workspace. Existing CBP 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 operation CBP may require updates to existing terminal facilities to meet its standards. CBP exercised this requirement due to NWSA’s request for radiation portal monitors (“RPMs”) required for the modernization project for Terminal 5. Provision of the RPMs constituted a seaport operation change prompting CBP to request office and workspace meeting current CBP requirements.

At the August 3, 2021 Managing Members meeting, funding was authorized to complete an office and facility renovation project (“Renovation Project”) for the T106 location, the purpose of which is to update this location so that it meets CBP office and workplace standards. Upon completion of the project, CBP will relocate the staff from T102, consolidating these offices to T106. Additionally, and at the same meeting, the ILA was jointly approved by the Managing Members and Port Commission which transfers management of the CBP premises from the Port to the NWSA upon substantial completion of the Renovation Project, identifies cost allocations between the Port and NWSA, and identifies the roof of the building 2W as an asset in need of future repair.

At the time of the August 3rd meeting, the actual cost, extent of damage, and timeline of repairs for the roof were not yet known. It was estimated that repairs would be a total cost of \$2,500,000, and Staff stated that a request for funding authorization to repair the roof would be made at a later date following further due diligence. The needed due diligence has since concluded, and Staff are now returning to request funding authorization for the roof repair and approval of an addendum to the ILA which identifies a repair plan and timeline.

Additional roof investigation determined that there is no remaining useful life for the roof, known leaks exist, and attempts to patch leaks have not been successful. It is therefore recommended that repairs to the roof be completed in conjunction with the Renovation Project. The procurement process to contract with a Design Build firm to complete the Renovation Project has commenced but not concluded. This means the solicitation scope may be amended to include the roof repair as part of the overall Renovation Project. Moving forward in this manner provides a number of benefits, such as:

- Cost savings due to a single procurement process
- Cost savings due to combined construction management
- Risk of water damage to office and workspace upgrades mitigated
- Risk of loss of upgrade warranties due to known roof leaks mitigated

Adding the roof repair to the Renovation Project will result in an approximate five (5) month delay in reaching substantial completion of the Renovation Project, bringing this date from October 2023 to March 2024. CPB previously expressed concerns regarding the current state of the roof and has responded favorably to adding the roof repair to the total project scope regardless of the delay.

1. First Addendum to the Interlocal Agreement:

Section 3.C. of the ILA addresses the roof repair and provides that:

- Parties to perform a formal assessment of the roof to determine if there is any potential useful life remaining.
- Upon determination of remaining useful life, the **Parties will mutually agree and establish a roof renovation plan and timeline (the “Roof Renovation Project”)** by Addendum to the ILA, but in any case, the roof renovation shall occur not later than 5-years after the Commencement Date unless the current Free Space Agreement is extended to justify the NWSA’s investment in the roof.
- Port shall perform the work and pay for the Roof Renovation Project with NWSA reimbursing its pro rata share to the Port upon completion of the project. Each Party shall be responsible for its pro-rata share of the total cost of the Roof Renovation Project being NWSA 55% and Port 45%.

The pro-rata shares factored as follows: Total building square footage 42,190 square feet; NWSA 55% (23,232 sf (CBP space)/ 42,190 sf= 55%); Port 45% (18,958 sf Warehouse/ 42,190 sf= 45%).

The First Addendum to the ILA (the “Addendum”) identifies the roof renovation plan and timeline. The base terms of the Addendum are as follows:

- Section 3.C. “Roof Renovation” is deleted and restated to remove the requirement of an additional formal assessment due to sufficient information already existing to identify a repair plan and timeline.
- Roof replacement to occur in conjunction with and not separate from the Renovation Project.
- Construction for the collective roof replacement and Renovation Project to commence in 2023 with substantial completion to occur in 2024.

2. Roof Repair

The current roofing at T106 was installed in 2006 which included a single base sheet (SBS) asphalt roll roofing with a 15-year manufacturer’s warranty on the low slope main roof area and asphalt shingles with a 40-year manufactures warranty on the steep roof areas around the perimeter. The low slope main roof area has had persistent leaks over the last two years and has been determined to be past its useful life. The low slope area accounts for about 80% of the entire roof area with about 55% of it over the Custom and Border Protection office. The steep slope roof area which rings the perimeter of the building has an acceptable level of wear and should provide another 15-20 years of useful life.

D. ROOF REPAIR PROJECT DESCRIPTION AND DETAILS

With approval from the Managing Members, add the necessary roof replacement scope to the previously approved CBP renovation project at Terminal 106 through

an amendment to the Basis of Design. Scope includes the installation of a new 20-year fleeced backed single layer membrane roof over tapered insulation to improve drainage over the 34,000 SF of low slope roof area. All required flashing and integration of membrane roofing with skylight openings, Mechanical curbs, and platforms.

Per the current building code, the new membrane roofing is allowed to be installed over the existing single layer Asphalt roofing. This approach will be taken to reduce cost, limit required energy code upgrades and reduce the potential for the entire project to be classified as a significant alteration which would require seismic upgrades.

Project Objectives

This project will:

- Protect existing assets and new investment.
- Reduce unplanned maintenance and tenant disruption.
- Cost effective use of public funds from cost savings due to single procurement process.
- Reduce GHG emissions with additional insulation and a reflective light colored roofing material.

Scope of Work

This authorization request to incorporate the roofing scope into the design build procurement process currently underway for the CBP renovation project via an amendment. This authorization is only for additional funds to cover the roof portion of the project and does not increase the amount of available funds for the previously approved renovation scope.

The scope of work will include:

- Install a new 20-year membrane roof on the low slope portion of the roof over the existing single layer of asphalt roofing
- Design, specifications, and permitting by the selected Design Build Firm.
- Project and construction management as part of the CBP renovation project.
- Required flashings and roofing details for all roof penetrations, mechanical platforms, and skylights.
- Improved drainage to remove areas susceptible to ponding.

Schedule

This authorization request to incorporate the roofing scope into the design build procurement process currently underway for the CBP renovation project.

Amendment for SOW	September 9, 2022
Consensus Scoring Meeting	October 7, 2022
Notice of Award	November 10, 2022
Substantial Completion	March 5, 2024
Final Completion	June 5, 2024

E. FINANCIAL IMPLICATIONS

Project Cost Details

Phase	This Request	Total Project Cost	Cost to Date	Remaining Cost
Procurement	\$500,000	\$500,000	\$0	\$500,000
Construction	\$1,200,000	\$1,200,000	\$0	\$1,200,000
Total	\$1,700,000	\$1,700,000	\$0	\$1,700,000

Source of Funds

- a. NWSA: The current NWSA Capital Improvement Plan (CIP) Budget allocates \$1,375,000 for this project based upon the initial repair estimate of \$2.5 million. Based upon the revised estimate, a maximum of \$935,000 will be contributed to this project.
- b. Port: The current POS Capital Improvement Plan (CIP) Budget allocates \$1,700,000 for this project based upon the repair estimate of \$1.7 million. 55% of this cost will be reimbursed by the NWSA upon completion of the project.

Financial Impact

The cost allocation of the roof repair is:

- a. NWSA: \$935,000 (55%)
- b. Port: \$765,000 (45%)

The Port will perform the work and pay for the Roof Renovation Project. Following completion of the work, the NWSA will pay the Port 55% of the total cost and amortize the cost over the ten-year term of the lease (“Free Space Agreement”) with CBP. If the Free Space Agreement terminates before the end of the useful life of the roof, the Port will reimburse the unamortized portion of NWSA’s contribution.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Fix existing leaks and replace the low slope roof after the completion of the renovation. This additional procurement would add cost to the project, be disruptive to the tenants and would carry a significant risk for damage to the newly renovated space.

Alternative 2) Replace the low slope roof as part of the Terminal 106 CBP renovation project. With a single design build procurement, there will be realized cost savings compared to a standalone project, the work will be completed while the office space is unoccupied and there will be a single responsible party for all rooftop work.

Alternative 2 is the recommended course.

G. 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.

Remediation:

NA

Stormwater:

NA

Air Quality:

NA

H. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- First Addendum to Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance Regarding the Port of Seattle’s Use of a Portion of Building 2W Located on Terminal 106.
- Interlocal Agreement between the Port of Seattle and The Northwest Seaport Alliance Regarding the Port of Seattle’s Use of a Portion of Building 2W Located on Terminal 106.

I. PREVIOUS ACTIONS OR BRIEFINGS

- August 3, 2021 action approval by the Managing Member to:
 - Complete a Facility Renovation Project for the CBP premises located at T-106 for a total authorized amount not to exceed \$6,402,000; and
 - Execute an alternative public works delivery contract using the Design-Build project delivery method.
- August 3, 2021 dual action approval by Managing Members and Port of Seattle Commission to:
 - Enter into an Interlocal Agreement between the POS and NWSA to transfer use and management of the CBP premises located at T-106.