

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No.	<u>9F</u>
Date of Meeting	<u>August 2, 2022</u>

DATE: July 8, 2022

TO: Managing Members

FROM: John Wolfe, CEO

Sponsor: Tong Zhu, Chief Commercial and Strategy Officer

Project Manager: Curt Stoner, Sr. Real Estate Manager

SUBJECT: CanAm Warehouse Roof Truss Repair Authorization Increase

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to increase the reimbursement amount and spending authorization by \$240,957, from \$750,000 to a total amount of \$990,957 for the CanAm Roof Truss Repair Project as a Tenant Improvement.

B. SYNOPSIS

An additional \$240,957 authorization is needed to fully reimburse CanAm for this Tenant Improvement. The additional authorization amount is required to cover the additional expense of shoring and jacking the roof trusses to facilitate the repair project, which was not included in the initial bid.

C. BACKGROUND

Located on the former Pony Lumber site at 3701 Taylor Way, the CanAm Warehouse was built in the early 1980's. The property is a Port of Tacoma asset and licensed to NWSA.

The CanAm Lease commenced on April 1, 2017, and terminates on March 31, 2027. The lease includes a 55,488 square feet warehouse and 26,136 square feet of yard space. The NWSA is responsible for maintenance, repair and replacement of the roof per Section 8 and the maintenance matrix Exhibit D per the Lease with CanAm.

CanAm imports roof grit raw material from Canada via barge and offloads and processes the roof grit at their facility at 3701 Taylor Way. CanAm has 3 FTE employees at this facility. CanAm is the principal roof grit supplier to Pabco Roofing which has 100-150 FTE employees at their facility. Additionally, CanAm supplies sandblasting material to the US military at JBLM and Bremerton.

The failed roof trusses located within the southwest area of the building impact approximately 17% or 9,433 SF of the 55,488SF warehouse.

The initial assessment of the building by the Port of Tacoma staff engineering team, raised concern of the trusses failing and of the building collapsing. An emergency declaration was immediately made by CEO Wolfe on May 10, 2021, and reported to the Managing Members on May 11, 2021. Per this emergency declaration, work was immediately performed to shore up the building in an effort to stabilize the trusses and roof structure. Staff took swift action and CanAm was immediately contacted and put on written notice specifying that they should not occupy or use the affected area of the warehouse and should prohibit anyone from entry into the affected area.

The initial assessment by staff was that the affected area of the building should be immediately vacated for safety reasons and that the building was at risk of being condemned by the City of Tacoma, which may lead to the risk of potentially shutting down the CanAm business and potentially Pabco Roofing.

Staff immediately engaged CanAm and started to look for alternative locations to move a portion of, or all of the CanAm operations to an alternative location within the Port and/or nearby properties. This proved unsuccessful due to the nature of their business requiring a large enough warehouse to cover the grit and process it in proximity to a dock.¹ Additionally, the processing equipment would not be able to be moved and new equipment would be required to be purchased for the alternative location. The length of time to procure equipment and the inability to find a suitable location made this course of action unworkable and had the potential to put CanAm and its customer Pabco out of business. Furthermore, it could result in a substantial financial burden on the NWSA.

CanAm believes that the building can be repaired. It decided that a second opinion from a credible engineer would be helpful. Staff asked that CanAm obtain its own structural engineering assessment of the trusses to see if repairs were possible as opposed to the potential condemnation of the building. On June 24, 2021, CanAm engaged PCS Structural Solutions to provide an assessment that concluded the shoring towers in place at the warehouse made it safe to allow normal operations to continue in the unaffected portion of the building and that the warehouse could be repaired. Staff advised CanAm to proceed at their own risk to investigate and work

¹ Due to environmental requirements, the grit material must be stored in a dry, covered, and contained area.

to repair the building as a Tenant Improvement and continue to keep people out of the affected area.

Staff engaged Port maintenance workers and understood that they are not in the position to perform the necessary repair work. Given the safety concerns and CanAm's shipping schedule, the repair work needs to be completed as soon as possible. Time is of the essence.

Having CanAm repair the roof trusses as a Tenant Improvement rather than have NWSA make the repairs allows CanAm to more efficiently carry out the daily work while continuing to operate their business at this facility and CanAm can more effectively manage the work in light of the safety concerns. To address public works concerns, CanAm engaged in a competitive procurement process that resulted in one bid for the construction repair and one bid for the shoring and jacking of the roof trusses and has commenced the repairs. All work is required to comply with prevailing wage requirements.

Key elements of the proposed Tenant Improvements:

- CanAm hired PCS Structural Solutions to design the repair plan for the roof trusses.
- CanAm has received a building permit from the City of Tacoma.
- CanAm has engaged Schuchart Corporation and Robbins & Company to repair the roof trusses according to the PCS design.
- Port Engineering Staff has approved CanAm's Tenant Improvement Request.

The Managing Members initially approved \$750,000 during the September 2021 Managing member meeting. An additional \$240,957 is required to cover the additional expense of shoring and jacking the roof trusses to facilitate the repair project, which was not included in the initial bid. The total project cost request is in an amount not to exceed \$990,957, including the repair, engineering and permitting costs. Given the age and condition of the warehouse, future investment in the building may be required during the remaining term of the CanAm Lease.

Project Work Component	Amount
Schuchart Construction Bid	\$580,399.00
Robbins & Co Shoring Bid	\$237,476.00
PCS Engineering	\$25,675.00
Berg Scaffolding	\$18,586.00
City of Tacoma Permitting	\$8,821.00
City of Tacoma Inspections	\$20,000.00
Contingency	\$100,000.00
Total	\$990,957.00
Prior Authorization	\$750,000.00
Requested Increased Authorization	\$240,957.00

D. FINANCIAL IMPLICATIONS

Source of Funds

The current Capital Investment Plan (CIP) allocates \$750,000 for this project. The additional \$241,000 expense is an unplanned reduction in income in 2022.

Financial Impact

Expense of \$750,000 was accrued in 2021 as part of the NWSA's previous commitment. The additional expense will be accrued in 2022.

The existing building has a remaining net book value of \$857,000.

The CanAm lease contributes approximately \$257,000 per year in operating income before depreciation. This will provide approximately \$1.1M in income from 2022 through the end of the lease in March of 2027.

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E. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

F. PREVIOUS ACTIONS OR BRIEFINGS

September 8, 2021