

THE NORTHWEST SEAPORT ALLIANCE
MEMORANDUM

MANAGING MEMBERS
ACTION ITEM

Item No. 8G
Date of Meeting September 8, 2021

DATE: August 26, 2021

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

A. ACTION REQUESTED

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to authorize a not to exceed amount of \$750,000 to reimburse CanAm Minerals for the emergency CanAm Warehouse Roof Truss Repair as a Tenant Improvement.

B. SYNOPSIS

In early May 2021, staff was notified that three roof trusses had failed in the southwest corner of the CanAm Warehouse. On May 10, 2021, an emergency was declared by CEO Wolfe which was reported to the Managing Members on May 11, 2021, and a shoring system was installed to mitigate the risk of a potential roof collapse. Though the tenant's engineering experts have opined that the structure can be repaired, there is an urgency to make repairs to the building as the soundness of the structure is still uncertain.

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 attached as 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 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 fixed. 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

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

repaired. Staff advised CanAm to proceed at their own risk to investigate and work to repair the building as a Tenant Improvement and continue to keep people out of the affected area. Port engineering staff continues to monitor the building weekly until repairs are completed.

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 prior to October 15th, 2021 as the entire warehouse will be needed to store roofing materials. 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 has engaged in a competitive procurement process that resulted in one bid and will be required as part of the NWSA approval process to comply with prevailing wage requirements.

Key elements of the proposed Tenant Improvements:

- CanAm will hire PCS Structural Solutions to design a repair plan for the roof trusses.
- CanAm will apply for a building permit with the City of Tacoma.
- CanAm will hire Schuchart Corporation to repair the roof trusses according to the PCS design.
- Port Engineering Staff will review CanAm's Tenant Improvement Request.
- The roof truss repair will take approximately 12 weeks to complete.

CanAm has obtained a bid to perform structural repairs to be performed at prevailing wages. The bid is currently \$654,826 plus a 12.5% contingency for possible necessary change orders for a total repair costs of \$736,679. CanAm has already incurred engineering fees of \$9,500 and permitting fees of \$2,950. The total project cost request is in an amount not to exceed \$750,000 (\$749,147), including the repair, engineering and permitting costs. Given the age and condition of the warehouse, future investment may be required during the remaining term of the CanAm Lease.

D. FINANCIAL IMPLICATIONS

Source of Funds

The current Capital Investment Plan does not allocate any budget for this project but will be updated during the 2022 budget process.

Financial Impact

Project costs will be expensed as incurred.

The existing building has a remaining net book value of \$935,000 and will be reviewed for impairment.

The CanAm lease contributes approximately \$200,000 per year in operating income before depreciation. This will provide approximately \$1.3M in income from 2021 through the end of the lease in March of 2027.

E. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1: Do not agree to reimburse CanAm for the cost of the repair. Undertake the roof truss repair as a NWSA repair project. POT Maintenance has declined to do the repairs due to perceived risks. The additional time for the NWSA to complete the design, procurement and repair of the trusses will increase the risk and liability of structural failure.

Alternative 2: Demolish the building and rebuild, which renders the property useless for CanAm operations. Without an alternative location to move CanAm to in the interim or permanently, this would most likely put CanAm out of business as well as Pabco Roofing and affect other business that rely on the grit product as CanAm is the primary source of grit regionally.

Recommended Action: Request Managing Members of the Northwest Seaport Alliance (NWSA) the Chief Executive Officer or their delegate to authorize a not to exceed amount of \$750,000 to reimburse CanAm Minerals for the emergency CanAm Warehouse Roof Truss Repair as a Tenant Improvement.

F. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.
- Tenant Improvement reimbursement request from CanAm
- CanAm Maintenance Matrix Exhibit
- PCS Structural Solutions Letter

G. PREVIOUS ACTIONS OR BRIEFINGS

- Emergency Declaration on May 10, 2021
- Friday packet memorandum advising of emergency declaration, May 11, 2021



50 Oak Court
Suite 210
Danville, CA 94526
p. 925.831.9800
f. 925.831.9183

Curt Stoner
Senior Manager, Real Estate
Northwest Seaport Alliance.

August 24, 2021

Mr. Stoner,

I am writing to you on behalf of CanAm Minerals, who is the tenant at the Port property at 3701 Taylor Way. During a recent inspection in May 2021 it was determined that 3 roof trusses in the bulk material storage building had failed. We received a letter from the Port on June 11th, in response to the letter we offer an update and a solution. We agreed to CanAm hiring a licensed engineer to make an independent assessment of the condition of the warehouse and potential to repair the warehouse roof trusses. This was done on June 24th. We were fortunate to retain the services of Luke Heath at PCS Structural Solutions. Luke and his firm specialize in this type of work and have done so in the past on similar situations on other port properties. Luke assessed that the trusses are repairable (letter attached). Upon confirmation we ordered that engineered drawings be produced. The drawings were presented to the Port as well as to 2 contractors that specialize in structural repairs. We also submitted plans to the city Of Tacoma for a permit application. We obtained one bid from Schuchart who is ready to start ASAP. The bid was forwarded to the Port last week. The 2nd bidder declined as they would not be able to start in the foreseeable future. With the ground work laid CanAm offers to the port the following solution:

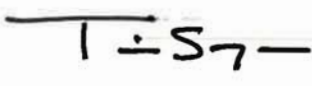
CanAm proposes that in accordance with Section 8 of the Lease titled Maintenance, CanAm hired an engineer and would contract with Schuchart for the necessary repairs included in the bid and the Port would reimburse CanAm. This would be done as a tenant improvement so as not to disrupt CanAm's daily business.

CanAm will assure that the work will be done at the contracted bid rate, performed at prevailing wage, which is currently @ \$654,826.00. We would request a 12.5% contingency for possible necessary change orders for a total repair costs not to exceed of \$736,679.00. CanAm to date has incurred engineering fees of \$9,500 and permitting fees of \$2,950 and requests reimbursement from the Port. The total project cost not to exceed \$749,147.00 including those fees. CanAm would request reimbursement on proof of progress throughout the project.

Time is of the essence as we use the affected building for bulk material storage. Our material supply source is up north and cannot ship material after Oct 15th due to weather constraints. We rely on the bulk storage building for inventory to get through the winter season.

We look forward to working with the Port on speedy, proper, and mutually beneficial solution. If you find this offer acceptable, please sign below on behalf of the Port.

Sincerely,


Tim Spurgeon
CEO CanAm Minerals

Curt Stoner
Northwest Seaport Alliance

Date

EXHIBIT D
MAINTENANCE AND REPAIR RESPONSIBILITIES
CANAM MINERALS, INC.
3701 Taylor Way

Primary Premises		Responsibility	
		Lessor	Lessee
1.	All Tenant Improvements		X
2.	Exterior walls (exclusive of doors and windows), foundations	X	
3.	Building exterior paint	X	
4.	Roof (roof membrane, roof drains, roof gutters and down spouts)	X	
5.	Fire suppression system repair and maintenance	X	
6.	NFPA fire suppression system inspection and testing.	X	
7.	Monthly fire extinguisher inspection, annual test and six-year test.		X
8.	Doors and windows repair and maintenance		X
9.	Heating/ventilation/air conditioning maintenance		X
10.	Janitorial Services		X
11.	Primary plumbing system: road to building to fixtures maintenance & repairs	X	
12.	Secondary plumbing system: sinks, toilets, fixtures, minor leaks		X
13.	Plumbing backflow assembly annual test as per regulation	X	
14.	Plumbing plugs and clogs		X
15.	Freeze protection of plumbing and electrical systems		X
16.	Major building electrical system repairs (behind the wall; electrical panels)	X	
17.	Minor electrical repairs including plugs, switches, exposed wires		X

Seattle	1011 Western Avenue, Suite 810 Seattle, WA 98104 206.292.5076
Tacoma	1250 Pacific Avenue, Suite 701 Tacoma, WA 98402 253.383.2797
Portland	101 SW Main Street, Suite 280 Portland, OR 97204 503.232.3746
www.pcs-structural.com	

July 21, 2021

Kleen Blast Abrasives and Equipment
1448 Saint Paul Ave
Tacoma, WA 98421

ATTN: Tim Spurgeon

RE: *CanAm Tru-Grit Facility Truss Repair
Tacoma, Washington*

Dear Tim:

As you are aware, three trusses had failed at the southwest portion of the building. Shoring towers were erected at each panel point of the existing bow string trusses to prevent further failures of the damaged trusses and prevent further damage to the building. Normal functions of the building may resume in the unaffected areas.

If any additional damage or deflection is observed in the walls or the roof members, please contact the engineer of record immediately. Thank you for this opportunity to be of continued service.

Very truly yours,

PCS STRUCTURAL SOLUTIONS



Luke Heath, S.E.
Associate Principal



Item No: 8G
Meeting Date: September 8, 2021

CanAm Warehouse Roof Truss Repair Project

Presenter: Curt Stoner
Sr. Real Estate Manager

Project Authorization

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to authorize a not to exceed amount of \$750,000 to reimburse CanAm Minerals for the emergency CanAm Warehouse Roof Truss Repair as a Tenant Improvement.

Background

CanAm Warehouse Roof Truss Repair

Summary:

- In early May 2021, staff was notified that three roof trusses had failed in the southwest corner of the CanAm Warehouse. On May 10, 2021, an emergency was declared by CEO Wolfe which was reported to the Managing Members on May 11, 2021, and a shoring system was installed to mitigate the risk of a potential roof collapse. Though the tenant's engineering experts have opined that the structure can be repaired, there is an urgency to make repairs to the building as the soundness of the structure is still uncertain.

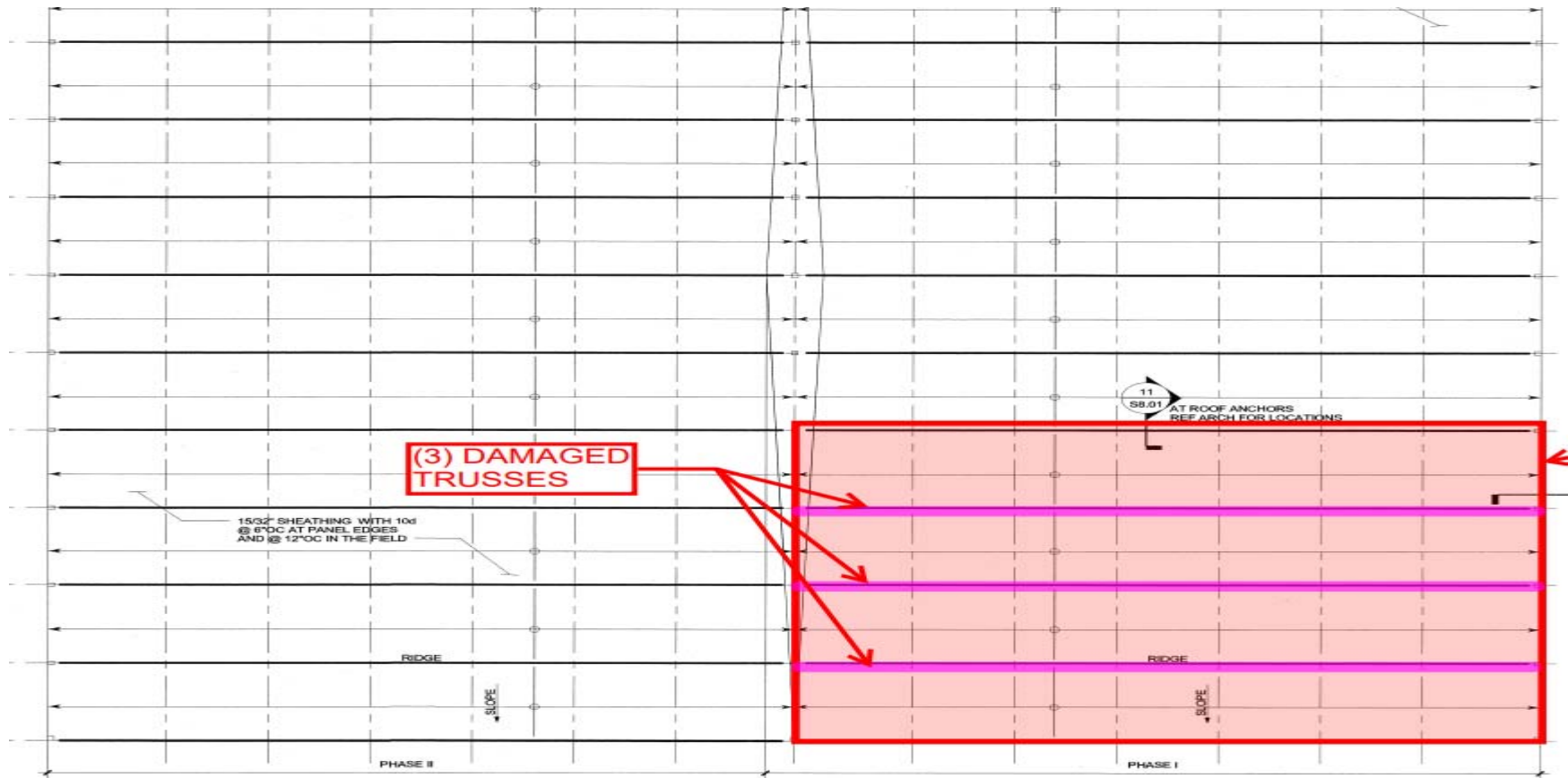
Background

CanAm Roof Truss Repair Project



Background

CanAm Roof Truss Repair Project



Background

CanAm Roof Truss Repair Project

- Located on the former Pony Lumber site at 3701 Taylor Way, the CanAm Warehouse was built in the early 1980's.
- Term: Commenced April 1, 2017 and terminates on March 31, 2027
- Premises: 55,488 square feet warehouse and 26,136 square feet of yard space.
- Use: the importation of roof grit raw material from Canada via barge for the offloading and processing the roof grit at this facility.
- Jobs: CanAm has 3 FTE employees at this facility and is the principal roof grit supplier to Pabco Roofing which has 100-150 FTE employees at their facility.
- The NWSA is responsible for the roof trusses (structural support) per the Lease terms and conditions.

Background

CanAm Roof Truss Repair Project

- **Initial assessment of the building by the staff engineering team, raised concern of the trusses failing and of the building collapsing, and an emergency declaration was immediately made by CEO Wolfe on May 10, 2021, 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.
 - 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.
 - CanAm was advised that the building was at risk of being condemned by the City of Tacoma.

Background

CanAm Roof Truss Repair Project

- **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.**
 - Due to environmental requirements, the grit material must be stored in a dry, covered and contained area.
 - Finding a large enough warehouse to cover the grit and process it in proximity to a dock required to conduct their business operations proved problematic.
 - Processing equipment would not be able to be moved but new equipment would be required to be purchased.
- **The length of time to procure equipment and the inability to find a suitable location made this course of action risky due to the potential of putting CanAm and Pabco out of business.**

Background

CanAm Roof Truss Repair Project

- **CanAm requested to obtain their own structural assessment of the trusses to see if repairs were possible vs. the potential condemnation of the building.**
- **CanAm obtained an assessment from PCS Structural Solutions stating that:**
 - With the shoring towers in place, it would be safe to allow normal operations to continue in the unaffected portion of the building.
 - The warehouse could be repaired.
- **CanAm conducting the repairs vs. the NWSA:**
 - Allows CanAm to more efficiently carry out the work while continuing to operate their business at this facility
 - Can more effectively manage the work in light of the safety concerns
 - To address public work concerns, CanAm has engaged in a competitive procurement process that resulted in one bid; and will be required to comply with prevailing wage requirements.

Background

CanAm Roof Truss Repair Project

- **Key elements of the proposal for the CanAm Tenant Improvements:**
 - Hire PCS Structural Solutions to design a repair plan for the roof trusses.
 - Apply for a building permit with the City of Tacoma.
 - Hire Schuchart Corporation to repair the roof trusses according to the PCS design.
 - Port Engineering Staff will review CanAm's Tenant Improvement Request.
 - The roof truss repair will take approximately 12 weeks to complete.
- **CanAm has obtained a bid to perform structural repairs to be performed at prevailing wage:**
 - The bid is for \$654,826.00 plus a 12.5% contingency for possible necessary change orders for a total repair costs of \$736,679.00.
 - CanAm has already incurred engineering fees of \$9,500 and permitting fees of \$2,950.
 - The total project cost request is in an amount not to exceed \$750,000 (\$749,147) including all costs.

Source of Funds

CanAm Roof Truss Repair Project

- ***Source of Funds***

- The current Capital Investment Plan does not allocate any budget for this project but will be updated during the 2022 budget process.

- ***Financial Impact***

- Project costs are expected to be capitalized and depreciated over an estimated useful life of 5 years resulting in annual depreciation expense of \$150,000.
- The existing building has a remaining net book value of \$935,000 and will be reviewed for impairment.
- The CanAm lease contributes approximately \$200,000 per year in operating income before depreciation. This will provide approximately \$1.3M in income from 2021 through the end of the lease in March of 2027.

Alternatives

CanAm Roof Truss Repair Project

- **Alternative 1:** Do not agree to reimburse CanAm for the cost of the repair . Undertake the roof truss repair as a NWSA repair project. POT Maintenance has declined to do the repairs due to perceived risks. The additional time for the NWSA to complete the design, procurement and repair of the trusses will increase the risk and liability of structural failure.
- **Alternative 2:** Demolish the building and rebuild, which renders the property useless for CanAm operations. Without an alternative location to move CanAm to in the interim or permanently, this would most likely put CanAm out of business as well as Pabco Roofing and affect other business that rely on the grit product as CanAm is the primary source of grit regionally.
- **Recommended Action:** Request Managing Members of the Northwest Seaport Alliance (NWSA) the Chief Executive Officer or their delegate to authorize a not to exceed amount of \$750,000 to reimburse CanAm Minerals for the emergency CanAm Warehouse Roof Truss Repair as a Tenant Improvement.

Conclusion

CanAm Roof Truss Repair Project

Request Managing Members of the Northwest Seaport Alliance (NWSA) authorization for the Chief Executive Officer or their delegate to authorize the not to exceed amount of \$750,000 to reimburse CanAm Minerals for the emergency CanAm Warehouse Roof Truss Repair as a Tenant Improvement.