

COMMISSION AGENDA

Item No: 6B

Meeting: 8/18/22

DATE: July 29, 2022

TO: Port Commission

FROM: Eric D. Johnson, Executive Director
Sponsor: Scott Francis, Director, POT Real Estate
Project Manager: Elly Bulega, Engineering Project Manager II

SUBJECT: Project Authorization for work associated with the 2022 Port of Tacoma Building Demolition Program

A. ACTION REQUESTED

As referenced in Resolution No. 2022-06-PT, Exhibit A, Delegation of Authority Master Policy, Paragraph IV.B.(2), states project costs exceeding \$300,000 require approval from Port Commission.

Request project authorization in

1. the amount of \$176,000 for a total authorized amount of \$256,000, for work associated with the 2220 E 11th bldg. demolition, Master Identification No. 101586.01.
2. the amount of \$1,385,000 for a total authorized amount of \$1,475,000, for work associated with the 2302 Ross Way bldg. demolition, Master Identification No. 101587.01.
3. the amount of \$253,000 for a total authorized amount of \$313,000, for work associated with the 1110 Alexander bldg. demolition, Master Identification No. 101588.01.
4. the amount of \$971,000 for a total authorized amount of \$1,031,000, for work associated with the 2202 POT Rd bldg. demolition, Master Identification No. 101589.01.
5. the amount of \$256,000 for a total authorized amount of \$306,000, for work associated with the 2144 POT Rd bldg. demolition, Master Identification No. 101590.01.

B. SYNOPSIS

There is high demand for additional terminal space around the Port. The buildings being proposed for demolition are located in the Port's strategic area for future terminal expansion. Demolishing these buildings will enable the Port to lease the property for terminal support activities (in support of Economic Vitality/Strategy EV-1 in the Port of Tacoma's Strategic Plan:

Strategically acquire and develop real estate to support marine trade activity of the Port and The Northwest Seaport Alliance.)

C. BACKGROUND

1. **2220 E 11th Buildings (Rail parts storage for Port Maintenance)**

This site is currently being used by Port maintenance as storage for rail parts. The buildings on this property (Figure 1) totaling 4,500 square feet, are beyond their useful life and are non-performing assets. The buildings that were adjacent to the property were demolished in 2020 and opened up a multi-acre area for future terminal expansion and support activities. Demolishing these buildings will provide an additional 0.59 acres of contiguous yard space. The space will be available for terminal support activities. Once the building is demolished, this property will generate \$46,000 in annual rental revenue.



Figure 1: 2220 E 11th Bldg. (Rail Parts Storage for POT Maintenance)

2. **2302 Ross Way (Warehouse)**

The Port-owned property located at 2302 Ross Way contains a warehouse/office building (Figure 2) totaling 44,972 square feet. The warehouse is on a four-acre parcel that has restricted use with the warehouse. This property is located in the Port's strategic area for terminal expansion. This building currently needs roof repairs in the amount of \$450,000 and is approaching the end of its economic useful life. Due to the current high demand for additional terminal space, the property's highest and best use is terminal expansion and support activities. Removal of this building will provide an additional 1.2 acres of yard space and provide the full utilization of the four-acre parcel. Demolishing this warehouse also eliminates the cost of repairing the roof and making other improvements.

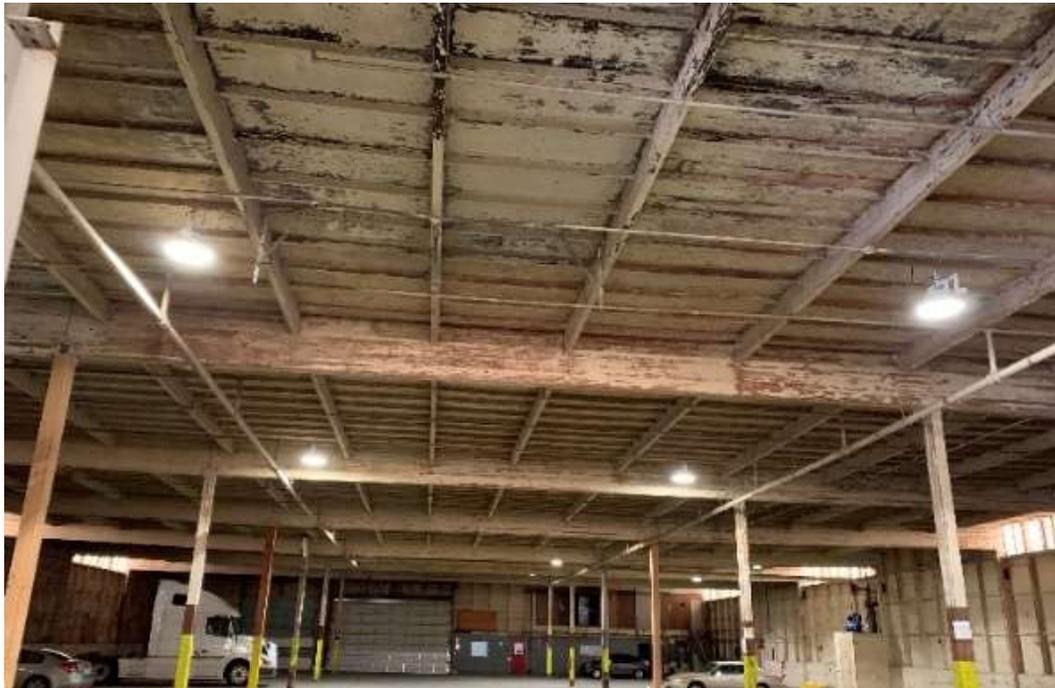


Figure 2: 2302 Ross Way (Warehouse)

3. 1110 Alexander Building (Located south of the TOTE Terminal)

This 3-acre site with two small docks is located on the Blair Waterway. Two small warehouses on the property were demolished in 2020. The existing 4,000 square foot building (Figure 3) had a tenant at the time the warehouses were demolished. This building is now vacant, currently presents safety issues, and is an attraction to vandals. This is the last building requiring demolition on this site. Once it is removed, the entire 3 acres will be leasable. Removal of this building will provide an additional one acre of leasable yard that will generate approximately \$78,000 annual rental revenue.



Figure 3: 1110 Alexander Bldg. (Vacant Bldg. South of TOTE Terminal)

4. 2202 Port of Tacoma Road Building & 2144 Port of Tacoma Road Building

The building located at 2202 Port of Tacoma Road was built in 1980 and includes 39,471 square feet of office and warehouse space (Figure 4). Previously, a section of this building was occupied by Customs and Border Protection. This building will be completely vacant by October 31, 2022. 2144 Port of Tacoma Road is adjacent to the building at 2202 Port of Tacoma Road. It is a 6,000-sf single-story building (Figure 5) that was purchased by the Port in 1984. For over ten-years the building has been used for miscellaneous storage and employee functions. The Port's cost to operate this building is about \$35,000/year including repairs, maintenance, and utilities. Continued use of this building will require substantial improvements, and maintenance/repair costs are expected to increase substantially in future years. This property is strategically located across from Washington United Terminals. Terminal space is at a premium, and this is one of the few Port properties available in the area to provide additional terminal expansion and terminal support activities. This 1.65-acre property will produce minimum rent of \$10,725/mo. (\$128,700/yr.). The future highest and best use of this property is terminal expansion.



Figure 4: 2202 POT Rd Bldg.



Figure 5: 2144 POT Rd Bldg.

D. PROJECT DETAILS

The objective of this project is to demolish old functionally obsolete buildings that are at the end of their useful life and make the properties available for their highest and best use as terminal expansion and terminal support activities.

Scope of Work for This Request:

The work required for this project includes

- Finishing design and developing a bid package for demolition of all the buildings
- Hazardous materials investigation and abatement
- Demolition of the buildings
- Capping and disconnecting utilities

Schedule

The project schedule listed below is for all five properties mentioned above. All buildings will be demolished under one contract. The schedule might change if the permitting process takes longer than anticipated.

Advertise for Bid	September 1, 2022
Open Bids	September 22, 2022
Notice of Award	September 29, 2022
Substantial Completion	December 30, 2022
Final Completion	January 30, 2023

E. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost including all stages is estimated at \$3,381,000.

Estimated Cost for This Request

The total estimated cost of Construction for this project is \$3,058,000. If the cost of this estimate is anticipated to exceed the authorized amount, additional Commission authorization will be requested.

Estimated Sales Tax

The total estimated sales tax to be paid to local and state governments for this project is \$255,000.

Cost Details

Item	Location	Design Budget	Construction Budget	Total Previous Requests	This Request	Total Project Budget	Cost to Date	Remaining Cost
1	2220 E 11th Bldg Demo (MID: 101586.01) - Maintenance Rail Part Storage Yard	\$ 58,000.00	\$ 198,000.00	\$ 80,000.00	\$ 176,000.00	\$ 256,000.00	\$ 5,086.00	\$ 250,914.00
2	2302 Ross Way Bldg Demo (MID: 101587.01) - Big Empty warehouse	\$ 73,000.00	\$ 1,402,000.00	\$ 90,000.00	\$ 1,385,000.00	\$ 1,475,000.00	\$ 3,693.00	\$ 1,471,307.00
3	1110 Alexander BLDG Demo (MID: 101588.01) - Vacant Bldg. South of TOTE	\$ 59,000.00	\$ 254,000.00	\$ 60,000.00	\$ 253,000.00	\$ 313,000.00	\$ 5,136.00	\$ 307,864.00
4	2202 POT Rd Bldg Demolition (MID: 101589.01) - Previous Occupied by CBP	\$ 63,000.00	\$ 968,000.00	\$ 60,000.00	\$ 971,000.00	\$ 1,031,000.00	\$ 4,704.00	\$ 1,026,296.00
5	2144 POT Rd Bldg Demolition (MID: 101590.01)	\$ 70,000.00	\$ 236,000.00	\$ 50,000.00	\$ 256,000.00	\$ 306,000.00	\$ 2,974.00	\$ 303,026.00
	TOTAL	\$ 323,000.00	\$ 3,058,000.00	\$ 340,000.00	\$ 3,041,000.00	\$ 3,381,000.00	\$ 21,593.00	\$ 3,359,407.00

Source of Funds

The current Capital Investment Plan (CIP) allocates \$2,642,000 for this project. The budget will be updated as part of the 2023 budget process.

Financial Impact

Project costs of \$1,906,000 for all buildings, except 2302 Ross Way, will be expensed as incurred. Project costs of \$1,475,000 for 2302 Ross Way will be capitalized as a land improvement. There will be no depreciation since this is a land asset.

The estimated net book value write off is \$254,000.

F. ECONOMIC INVESTMENT/JOB CREATION

Making these properties available for terminal expansion and/or terminal support activities, will create new jobs and support the NWSA’s core business.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting:

The demolition permits and all other applicable permits will be obtained before the project is awarded.

Remediation:

These properties have been improved with buildings and used for various commercial and industrial purposes for many years. Existing reports regarding these properties indicate several potential sources of environmental contamination on these properties or adjacent properties. Because the building demolitions will not involve below grade excavation, the risk of encountering any soil or groundwater contamination (if present) is negligible.

Stormwater:

A Temporary Erosion and Sediment Control (TESC) Plan and Stormwater Pollution Prevention Plan (SWPPP) with appropriate stormwater Best Management Practices (BMPs) will be implemented during demolition.

Air Quality:

Construction equipment will meet all state and local emissions standards, including Puget Sound Clean Air Agency regulations. Dust control BMPs will be implemented as necessary to control fugitive dust during demolition activities.

H. PREVIOUS ACTIONS OR BRIEFINGS

Date	Action	Amount
April 12, 2022	Executive Authorization for Design for 2220 E 11 th St	\$80,000
April 11, 2022	Executive Authorization for Design for 2302 Ross Way	\$90,000
April 11, 2022	Executive Authorization for Design for 1110 Alexander (Last Bldg. Demo)	\$60,000
April 11, 2022	Executive Authorization for Design for 2202 Port of Tacoma Road	\$60,000
April 12, 2022	Executive Authorization for Design for 2144 Port of Tacoma Road	\$40,000
April 29, 2022	Executive Authorization for Design for 2144 Port of Tacoma Road	\$10,000
TOTAL		\$340,000

I. ATTACHMENTS TO THIS REQUEST

- Slide presentation.

J. NEXT STEPS

Complete the design, advertise the project for construction and complete construction.