

COMMISSION AGENDA

Item No: 5A

Meeting: 8/15/19

DATE: July 31, 2019

TO: Port Commission

FROM: Eric D. Johnson, Executive Director
Sponsor: Scott Francis, Director, Real Estate
Project Manager: Hughes Wike, Engineering Project Manager II

SUBJECT: Project Authorization for work associated with the Building Demolitions at 2306 & 2338 East 11th St, 3502 Lincoln Ave, and 1110 Alexander Ave

A. ACTION REQUESTED

As referenced in Resolution No. 2018-01-PT, Exhibit A, Delegation of Authority Master Policy, Paragraph IV.B.(2), project costs exceeding \$300,000 require approval from Port Commission.

Request project authorization in the amount \$2,077,000 for a total authorized amount of \$2,458,000, for work associated with the Building Demolitions at 2306 & 2338 East 11th St, 3502 Lincoln Ave, and 1110 Alexander Ave, Master Identification Nos. 101442.01, 101442.02, 101442.03, and 101452.01.

B. BACKGROUND

This project consists of the demolition of four buildings; 2306 East 11th Street, 2338 East 11th Street, 3502 Lincoln Avenue, and 1110 Alexander Avenue. The demolition of these buildings was budgeted and initiated as separate projects; however, they are planned to be combined into a single contract for efficiency. Removal of these four buildings will open the properties to future use and development.

The two properties on East 11th were purchased for future terminal expansion over time. The properties on Lincoln Avenue and Alexander Avenue were purchased for the Blair Hylebos Terminal development program. The plan at the time of the purchase of these properties was to remove the buildings.

C. PROJECT DETAILS

Scope of Project:

The scope of work will include:

- Design and specifications for Public Works contracting
- Hazardous materials investigation and abatement

- Demolition of the buildings and surrounding landscaping to provide level sites
- Disposal of buildings
- Permitting – Demolition, SEPA, and shoreline
- Project and construction management

Scope of Work for This Request:

Authorization for this project includes all tasks necessary for the completion of the construction stage, including the use of internal and external engineering and environmental services, construction, and procurement.

Schedule

The following timeline considers demolition of all four buildings under one contract. However, it should be noted that the Alexander Avenue property was an addition to the original scope and the proposed work will be subject to additional permit reviews.

It is possible the timeline will require adjustment to accommodate these permitting activities or if, for example, the Port deems it prudent to implement the Alexander Avenue demolition as a separate project.

Advertisement	August 2019
Bid Opening	September 2019
Contract Award	October 2019
Substantial Completion	July 2020

D. FINANCIAL SUMMARY

Estimated Cost of Project

The total project cost including all stages is estimated at \$2,458,000.

Estimated Cost for This Request

The total estimated cost of the construction for this project is \$2,077,000. 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 \$174,229.

Cost Details

Property	Phase	This Request	Total Previous Requests	Total Cost
2306 E. 11 th	Design	\$0	\$69,000	\$69,000
	Construction	\$271,750	\$0	\$271,750
2338 E. 11 th	Design	\$0	\$94,000	\$94,000
	Construction	\$387,300	\$0	\$387,300
3502 Lincoln	Design	\$0	\$136,000	\$136,000
	Construction	\$298,050	\$0	\$298,050
1110 Alexander	Design	\$0	\$82,000	\$82,000
	Construction	\$1,119,900	\$0	\$1,119,900
Total		\$2,077,000	\$381,000	\$2,458,000

Source of Funds

The current Capital Investment Plan (CIP) allocates \$2,458,000 for this project.

Financial Impact

Project costs for the 2338 E 11th, 3502 Lincoln Ave and 1110 Alexander Ave demolitions will be expensed as incurred. Project costs for the 2306 E 11th (MID 101442.01) demolition will be capitalized as a land improvement asset and will not be depreciated. The accounting treatment is different for 2306 E 11th because it was purchased in January 2018, whereas the other properties were purchased over 10 years ago. These properties do not currently produce revenue. Demolition may allow leasing opportunities and will support future development.

Based on the demolition costs, and projected potential revenue, the cost to demolish the buildings on 11th street and on Alexander will be repaid within six years. The building on Lincoln will be repaid within eleven years.

E. ECONOMIC INVESTMENT/JOB CREATION

There are no economic investments being made by customers or stakeholders with this action.

No jobs will be directly created as a result of this action; however, the demolition contractor will employ labor during the duration of the project. The demolition of the buildings will open the properties to future use and development.

F. ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS

Alternative 1) Do Nothing:

Pros:

- Defers financial commitment.

Cons:

- All buildings are beyond repair or in such a state that it would be cost prohibitive to restore them to a useable condition.
- Structures present potential targets for vandalism.
- The Alexander Avenue building poses a significant safety hazard.

Alternative 2) Develop and implement design to demolish four structures:

Pros:

- Eliminate liabilities and expenses associated with vacant buildings.
- Repurpose non-performing assets.
- Support terminal expansion and truck queuing opportunities along 11th Street corridor.
- Prepare properties for future uses identified in the Port's Strategic Plan to support the Port's core business.

Cons:

- Significant capital investment.

Alternative 2 is the recommended course.

G. ENVIRONMENTAL IMPACTS/REVIEW

Permitting: This project is subject to SEPA review. The project will not require environmental permits from US Army Corps of Engineers (USACE), Washington Department of Ecology (Ecology), or Washington Department of Fish and Wildlife (WDFW). A portion of the project is within 200 feet of the shoreline. City of Tacoma staff will review the project to determine if it qualifies for an exemption under the City's Shoreline Master Plan.

Remediation: Subject property 3502 Lincoln Avenue was listed as "no further action" by Ecology in 2000 and removed from the Hazardous Sites list. The other subject properties are not located on known remediation sites.

Stormwater: A Temporary Erosion and Sediment Control (TESC) Plan and appropriate stormwater best management practices (BMPs) will be implemented during demolition.

Air Quality: Construction equipment will meet all state and local emission standards, including Puget Sound Clean Air Agency regulations. The Port's anti-idling policy will be enforced. Dust control BMPs will be implemented as necessary to control fugitive dust during demolition activities.

H. PREVIOUS ACTIONS OR BRIEFINGS

<u>Date</u>	<u>Action</u>	<u>Amount</u>
April 17, 2019	Executive Authorization (1110 Alexander Avenue)	\$10,000
April 19, 2019	Executive Authorization (2306 E. 11 th Street)	\$69,000
April 19, 2019	Executive Authorization (2338 E. 11 th Street)	\$94,000
April 25, 2019	Executive Authorization (3502 Lincoln Avenue)	\$136,000
July 8, 2019	Executive Authorization (1110 Alexander Avenue)	\$72,000
TOTAL		\$381,000

I. ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

J. NEXT STEPS

Complete the design, bid, and award the construction contract to proceed with demolition of the four buildings.