

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	5d
<b>Date of Meeting</b>	August 6, 2013

**DATE:** July 29, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Mike Ehl, Director, Airport Operations  
Wayne Grotheer, Director, Aviation Project Management Group  
**SUBJECT:** Cargo 2-West Hardstand Expansion at Seattle-Tacoma International Airport:  
FAA Agreement for Antenna Relocation (CIP #C800247)

<b>Amount of This Request:</b>	\$300,000	<b>Source of Funds:</b>	Airport Development Fund
<b>Est. Total Project Cost:</b>	\$12,430,000		
<b>Est. State and Local Taxes:</b>	N/A	<b>Est. Jobs Created:</b>	TBD

**ACTION REQUESTED**

Request Commission authorization (1) for the Chief Executive Officer to execute a contract with the Federal Aviation Administration (FAA) for relocation of the Airport Surface Detection Equipment Model X Remote Unit Number 7 (ASDE-X RU No. 7) antenna as part of the Cargo 2 West Hardstand Expansion project at Seattle-Tacoma International Airport, at a cost not to exceed \$600,000 and (2) for an additional \$300,000 in expense funds.

**SYNOPSIS**

The relocation of the FAA's ASDE-X RU No. 7 antenna is required for construction of the Cargo 2 Hardstand Expansion project. This project directly supports the Century Agenda objective of tripling air cargo volume over the next 25 years. It will provide additional apron space for two 747-8 freighters to be loaded simultaneously at Cargo 2 West. The current configuration requires two parking positions for one 747-8F to be loaded/unloaded.

The Commission authorized the execution of a contract with the FAA to relocate the antenna for an amount not to exceed \$300,000 on December 4, 2012. The \$300,000 authorization was based on a high-level estimate from the FAA. Port staff indicated that staff would return to the Commission to seek additional budget authorization should the estimate of total cost for the relocation of the antenna exceed \$300,000.

The FAA has since performed preliminary engineering and developed a more detailed scope for the relocation and has determined that providing communication to the antenna is more

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challenging than initially anticipated and that the new antenna needs to be operational before the old antenna can be deactivated. Although the estimate is not yet complete, the FAA now indicates that the relocation cost will be in the \$500,000 range. A \$600,000 total is being requested to ensure there is adequate budget to proceed.

The capital portion of the project was included in the 2013-2017 capital budget and plan of finance. The cost of the antenna relocation was not included in the 2013 operating expense budget; however, this unplanned cost will be absorbed in the existing 2013 budget.

### **BACKGROUND**

The existing Cargo 2 hardstand is too short to accommodate straight-in parking for certain types of cargo loading operations. The current nose-load parking position line has to be angled, and the 747-8F line must be configured east to west across two hardstands. This results in an inefficient use of the ramp by taking up two parking positions for a single operation and reducing overall capacity.

All existing hardstands have limited space in front of parked aircraft to allow for cargo/ground service equipment (GSE) staging. Consequently, cargo and GSE end up staged on either side of the aircraft, impinging on adjacent hardstands.

The Cargo 2 project will provide additional concrete apron space to enlarge the western cargo hardstand toward the north, which will provide enough room for two simultaneous straight-in wide-body freighter nose-load operations by aircraft, including the 747-8F. The larger ramp area will allow the taxilane to be moved to the north and provide better maneuverability and increased operational room for users of both Cargo 2 and Cargo 3 ramps.

ProLogis has a ground lease in the Cargo 2 area and owns two buildings there, one of which will require demolition. The lease requires a one-year notice prior to termination and compensation for the unamortized value of the buildings. The notice of lease termination was given to ProLogis on October 3, 2012. The building that is to be demolished is occupied by a tenant, Cargo Airport Services, which will be relocated prior to construction. The FAA ASDE-X RU No. 7 antenna is located on top of the building and will require relocation prior to building demolition.

The ASDE-X RU No. 7 antenna is one of nine similar antennas on the airfield. These antennas are vital during night and low visibility conditions (such as fog) to ensure that pilots and the air traffic control tower operators know the exact location of aircraft and vehicles as they move across the airfield movement areas and as other aircraft take off or land. The entire set of ASDE-X antennas comprises a valuable safety system for the Airport.

In order to keep the combined Cargo 2, 5, and 6 projects on schedule for a 2014 completion, authorization of additional funds are necessary so the Port can enter into an agreement with the FAA and complete the relocation of the antenna in advance of the Port's construction at Cargo 2. Once the final cost estimate for design, construction, and installation of the antenna in a new

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location is established, the Port will modify the agreement with the FAA and transfer additional funds to the FAA so the remaining work can be performed.

### **REQUEST JUSTIFICATION**

The relocation of this antenna is the critical element and pre-requisite for the remainder of the project to begin. The relocation cannot move forward until we have a signed agreement and adequate funding approved. The FAA's preliminary engineering has developed a more detailed scope resulting in a higher estimate than initially anticipated. Additional funding approval is needed before agreement can be executed with the FAA.

#### ***Request Objectives:***

- Funding approval in order to move forward with a Reimbursable Agreement between the Port of Seattle and the FAA
- Meeting schedule deadlines to provide Cargo 2 Hardstand completion to project sponsors

#### ***Scope of Work:***

- Final agreement between FAA and Port of Seattle
- Relocation of ASDE-X RU7 Antenna
- Demolition of cargo building
- Construction of Cargo 2 hardstand expansion

#### ***Schedule***

Commission Authorization to Terminate Lease and 100% Design	September	2012
Lease Termination Notice	October	2012
Commission Authorization to Execute an Agreement with the FAA	December	2012
Commission Authorization to Advertise	August	2013
Advertise	September	2013
Building Acquisition	October	2013
Tenant Relocation Complete	December	2013
FAA Antenna Relocation Complete	April	2014
Notice to Proceed	January	2014
Construction Complete	November	2014

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### **FINANCIAL IMPLICATIONS**

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$13,300,000	\$300,000	\$13,600,000
Budget Decrease	(1,470,000)	\$0	(1,470,000)
Revised Budget	\$11,830,000	\$300,000	\$12,130,000
Previous Authorizations	\$2,410,000	\$300,000	\$2,710,000
Current request for authorization	\$0	\$300,000	\$300,000
Total Authorizations, including this request	\$2,410,000	\$600,000	\$3,010,000
Remaining budget to be authorized	\$9,420,000	\$0	\$9,420,000
Total Estimated Project Cost	\$11,830,000	\$600,000	\$12,430,000

<i>Project Cost Breakdown</i>	This Request	Total Project
Construction	\$0	\$7,600,000
ASDE-X RU7 Relocation	\$300,000	\$600,000
Construction Management	\$0	\$960,000
Design	\$0	\$500,000
Project Management	\$0	\$450,000
Permitting	\$0	\$10,000
Lease Buy-out	\$0	\$1,580,000
State & Local Taxes (estimated)	\$0	\$730,000
Total	\$0	\$12,430,000

#### ***Budget Status and Source of Funds***

Cargo 2–West Hardstand Expansion (CIP #C800247) is included in the 2013-2017 capital budget and plan of finance. Operating expenses will occur in 2013 and will be absorbed within the Aviation Division approved operating budget. The source of funds for this expense component of the project will be the Airport Development Fund. The capital portions of the project will be funded with the Airport Development Fund and future revenue bonds. Consistent with the Port’s plan of finance, the Airport anticipates issuing revenue bonds in 2014 to fund this project and a number of others.

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### ***Financial Analysis and Summary***

<b>CIP Category</b>	Revenue/Capacity Growth
<b>Project Type</b>	Business Expansion
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$12,430,000
<b>Business Unit (BU)</b>	Airfield
<b>Effect on business performance</b>	NOI after depreciation will increase since capital and operating costs will be recovered through landing fees
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	\$0.06 in 2015; however, no change from business plan forecast as this project was included.  The cost of moving the antenna will result in an increase in CPE of approximately \$.03 in 2013.

The revenues as well as the operating and capital costs associated with the cargo business unit are included in the airfield cost center. The net impact of the cargo business unit, including this investment, reduces the landing fee charged to all airlines.

### **STRATEGIES AND OBJECTIVES**

Relocation of the antenna supports a project that is consistent with and necessary for the implementation of the Port's Century Agenda goals that call for tripling air cargo volume over 25 years.

This project supports the Aviation Business Plan strategy to operate a world-class airport by anticipating and meeting the needs of our tenants, passengers, and the region's economy by expanding and modernizing existing on-airport cargo facilities.

### **TRIPLE BOTTOM LINE SUMMARY**

#### ***Economic Development***

The antenna relocation facilitates a project to improve two hardstands in Cargo 2 area to accommodate the increased size and frequency of wide-body cargo aircraft to increase the Airport's ability to retain and attract key cargo customers, who want to operate the larger and more efficient newly available freighters.

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### ***Environmental Responsibility***

The Cargo 2 project supported by the antenna relocation will also reduce airfield carbon and other gas emissions by providing electrical power as an alternative to fuel-powered generator operations.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

- Alternative 1 - Do Nothing: This alternative would not relocate the FAA ASDE-X RU No. 7 antenna, which would prevent the demolition of the building at the Cargo 2 area that must occur prior to the expansion of the hardstand. This would not promote air cargo growth and the associated economic development, and does not align with Commission Century Agenda goals. This alternative is not recommended.
- Alternative 2 – Enter into an agreement with the FAA for relocation of the ASDE-X RU No 7 antenna and allow the Cargo 2-West Hardstand Expansion to occur. This alternative is consistent with the goals of the Century Agenda for promoting growth in air cargo by alleviating capacity constraints, and is consistent with the Airport’s Comprehensive Development Plan (CDP). **This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

None.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- December 4, 2012 – the Port Commission authorized the Chief Executive Officer to execute a contract with the FAA for relocation of the Airport Surface Detection Equipment Model X Remote Unit Number 7 (ASDE-X RU No. 7) antenna at Seattle-Tacoma International Airport, at a cost not to exceed \$300,000.
- September 25, 2012 – the Port Commission authorized the Chief Executive Officer to 1) design and prepare construction documents for the demolition of a cargo building (Building 2) and for the enlargement of the hardstand in the Cargo 2 West area in the amount of \$830,000 and 2) to terminate the lease containing two cargo buildings in the Cargo 1 and Cargo 2 areas owned by ProLogis at Seattle-Tacoma International Airport at a cost not to exceed \$1,580,000.