

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
BRIEFING

Item No.	<u>7c</u>
Date of Meeting	<u>October 14, 2014</u>

DATE: September 19, 2014
TO: Ted Fick, Chief Executive Officer
FROM: Mark C. Griffin, Director, Real Estate Development
SUBJECT: Request authorization to execute a consulting for up to \$5 million as part of the Federal Aviation Administration’s Pilot Program for Redevelopment of Airport Properties

SYNOPSIS

The Port and the City of Burien (City) are preparing an application to the FAA to assist in the redevelopment of Port- and City-owned property in the City’s Northeast Redevelopment Area (NERA) identified on Attachment A – Site Map. The pilot program allows applications for up to \$5 million for planning, design, engineering and permitting services. Per the program’s requirements, twenty percent of the grant amount must be matched by the Port and City.

In December 2013, the Commission authorized execution of an inter-local agreement (ILA) with the City. The ILA anticipates submission of the pilot program application and the local match that will be required by the Port and City. This authorization implements the ILA’s intent by approving the solicitation for a consultant and execution of a contract with the selected firm to perform the scope of work.

BACKGROUND

In February 2013, the FAA issued a program guidance letter (PGL) for airports interested in obtaining funding under a new pilot program for redevelopment of noise property. Creation of the program marked the culmination of a multi-year lobbying effort by the City to have the FAA identify and allocate federal funding to support redevelopment of property impacted by airport operations.

The PGL encourages applications by airport sponsors (the Port) in tandem with other public agencies (the City) for up to \$5 million. The PGL limits the federal share to 80% of eligible costs (a maximum of \$4 million) and requires a local match for the remaining 20% of costs (a maximum of \$1 million). Pilot program funds may be used for planning, engineering, design, and environmental permitting expenses, but not construction costs. Upon any sale of the Port’s property benefited by the program, the Port must “repay” the funds in full. In this context, “repay” means reinvesting in other eligible airport projects. A long-term lease of noise property does not trigger the repayment obligations.

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For joint applications between an airport and another public agency, the PGL requires a governance agreement between the agencies. The ILA between the Port and City authorized by the Commission in December 2013 satisfies this requirement. The ILA anticipates submission of the pilot program application and provides that the Port and City will split evenly the 20% local match requirement.

This authorization implements the last outstanding component of the ILA. This authorization approves solicitation of a consultant and award of a contract to perform the work to be funded by the pilot program.

The other elements of the ILA have been accomplished. The completed work includes the City's vacation of a street needed by the Port. In addition, per the ILA, the Port has granted several easements and financially contributed to the City's construction of the first phase of the regional stormwater project and shared use path. The City completed construction of the stormwater facilities and path this summer as scheduled.

The pilot program scope of work will build on the work described in the ILA. The pilot program will fund additional planning, design, engineering and permitting of street, stormwater and utilities improvements in the NERA.

The timing of this request is intended to allow for completing the consultant procurement process before the expected award of the pilot program funds in the first quarter of 2015 so that work under the contract can begin as possible after the FAA's award of the funds.

PROJECT JUSTIFICATION AND DETAILS

The pilot program is aimed precisely at enabling redevelopment of noise land like the Port's property in the NERA. The proposed scope of work will build on several years of collaborative work between the Port and City that resulted in preparation of the NERA redevelopment strategy in 2010 and the City's recent completion of the first phase of the regional stormwater project described in the ILA. The work to be funded by the pilot program will make NERA property more attractive for developers by eliminating some of the work that the developer would otherwise have to undertake.

Project Objectives

Enable redevelopment of Port and City property by planning, designing and permitting needed infrastructure.

Scope of Work

The scope entails planning, design and permitting of street, stormwater and utilities infrastructure, including utility coordination, surveying, geotechnical studies, stormwater design, street and roadway design, bid package preparation, permits and approvals, and NEPA/SEPA environmental review.

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Schedule

The Port and City have submitted the pilot program application for the FAA's review and approval. The FAA expects to award funding under the program in the first quarter of 2015. The proposed scope work is expected to be performed over two to three years.

FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$0	\$0	\$0
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$0	\$5,000,000	\$5,000,000
Total Authorizations, including this request	\$0	\$5,000,000	\$5,000,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$0	\$5,000,000	\$5,000,000

<i>Project Cost Breakdown</i>	This Request	Total Project
Construction	\$0	\$0
Construction Management	\$0	\$0
Design	\$3,300,000	\$3,300,000
Project Management	\$1,200,000	\$1,200,000
Permitting	\$100,000	\$100,000
Other	\$400,000	\$400,000
State & Local Taxes (estimated)	\$0	\$0
Total	\$5,000,000	\$5,000,000

Budget Status and Source of Funds

Approximately \$500,000 is expected to be spent in 2015. This amount is included the airport's 2015 operating budget. Also included in the 2015 budget is the assumption that a \$400,000 FAA grant will be received, and that an additional \$50,000 will be reimbursed by the City. The anticipated spending in successive years will be included in the operating budgets for those years. As with other Airport Improvement Project (AIP) funding grants, the FAA will reimburse the Port for eligible expenses under the pilot program.

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Financial Analysis and Summary

CIP Category	N/A
Project Type	N/A
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	N/A
Business Unit (BU)	Commercial Properties
Effect on business performance	Funding for the expected expenses in 2015 is included in the airport's 2015 operating budget and will be included in subsequent operating budgets.
IRR/NPV	N/A
CPE Impact	N/A

STRATEGIES AND OBJECTIVES

This authorization facilitates development of air cargo facilities in the NERA in support of the Century Agenda strategy to “position the Puget Sound region as a premier international logistics hub” by, in part, “tripling air cargo volume to 750,000 metric tons.” This work also supports the airport’s strategic goal to increase non-aeronautical net operating income.

TRIPLE BOTTOM LINE

Economic Development

As mentioned, the NERA work supports growth in air cargo volumes and the broader economic benefits associated with such growth. In addition, the City expects new development in the NERA will increase the tax revenue it receives.

Environmental Responsibility

The proposed scope of work builds on the recently completed first phase of the regional stormwater system. A regional system allows for a more cost effective and holistic approach to stormwater management in the NERA. Each land owner working independently would be unable to realize the efficiencies and benefits associated with a regional system.

Community Benefits

The community benefits from Port and City collaboration to return the vacant NERA property to productive use and remove potential blight and crime from the surrounding neighborhood.

Small Business

Project staff will coordinate with the Office of Social Responsibility to determine goals and/or requirements for small business and Disadvantaged Business Enterprises (DBE) participation.

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Delay consultant selection and contract award. If the procurement process is delayed, performing the scope of work will be delayed by several months. This would mean the loss of valuable time in completing the work and marketing the NERA sites for disposition. This is not the recommended alternative.

Alternative 2) – Proceed with executing a consultant contract. This alternative is synched with the FAA's expected notice of award under the pilot program and accelerates both completion of the scope of work to be funded under the program and redevelopment of the NERA property. **This is the recommended alternative.**

ATTACHMENTS TO THIS BRIEFING

- Attachment A – Site Map

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- December 3, 2013, Burien ILA Briefing
- December 10, 2013, Commission approved the ILA with the City