

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6e

Date of Meeting February 23, 2010

DATE: February 10, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Ralph Graves, Managing Director Capital Development Division
Wayne Grotheer, Director Aviation Capital Improvement Program

SUBJECT: Consolidated Aviation Warehouse (CIP # C800071)

Amount of This Request: \$300,000

Source of Funds: Airport Development Fund

Amount of Sales Tax: \$27,000

ACTION REQUESTED:

Request Commission ratification of a Developer Extension Agreement between the Port of Seattle and Highline Water District; request authorization for the Chief Executive Officer to execute a Bill of Sale per the requirements of the Developer Extension Agreement; and request authorization of an increase of the project authorized amount by \$300,000 to pay anticipated additional in-house and consultant costs to complete the Consolidated Aviation Warehouse project at Seattle-Tacoma International Airport (Airport), for a total authorization of \$9,300,000. This authorization is not within the Current Revised Budget.

SYNOPSIS:

The Commission was briefed in the February 9, 2010, Commission meeting that the Developer Extension Agreement was inadvertently signed by a Port of Seattle Project Manager who did not have the authority to do so in February 2009. This memorandum requests ratification of that Developer Extension Agreement, as Resolution 3605 does not delegate such authority. As part of the Developer Extension Agreement the Port of Seattle is required to execute a Bill of Sale that would transfer the title of the water main installed as part of the Consolidated Aviation Warehouse project to Highline Water District. The fair market value of the water main is \$152,000.

Harthorne Hagen Architects requests relief for staff and sub-consultants time spent beyond the professional services agreement to complete the structural engineering, coordination of as-built documents that comply with Highline Water District and Midway Sewer District standards. These agencies' particular standards do not comply with the Port of Seattle requested standards as identified in the Port Professional Services Agreement with Harthorne Hagen, therefore additional work and associated costs are necessary. Additional funding is also required for

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advances in communications technology (wireless connectivity to the Airport) and facility security systems identified during the construction phase of the project that were not part of the original project scope. Harthorne Hagen has indicated intent to submit a formal request for adjustment, and staff acknowledges the potential merit of the request. The Commission previously authorized a total of \$9,000,000 for the design and construction of the Consolidated Aviation Warehouse project

BACKGROUND:

The Consolidated Aviation Warehouse project was originally approved by the Port Commission for design and construction in June 2006 at the intersection of 28th Ave South and S. 192nd Street in the City of SeaTac. This project's original schedule was design June through December 2006, site work and construction complete February 2007, and substantial completion January 2008. Subsequently staff determined that a better location for the Consolidated Aviation Warehouse would be another Port property located on 28th Ave. This new location maximized land use for later development to occur and was incorporated into the Final Seattle Tacoma International Airport Comprehensive Development Plan in 2007.

The Commission originally approved the project in June 2006. In April 2008 the Commission approved a budget increase of \$700,000 for the Consolidated POS Aviation Warehouse project due to the increased distances to connect utilities, modifications for rain water runoff controls and additional engineering studies at the new site. This location change also extended the original schedule. The revised schedule called for design complete April 2008, construction complete February 2010, and Beneficial Occupancy in March 2010.

Given these changes and schedule completion delays, the project has several remaining issues to resolve as part of the project. To provide water service to the site, Highline Water District requires the Port of Seattle to execute a Bill of Sale that would sell the water main installed as part of the Consolidated Aviation Warehouse project to Highline Water District. The Port's Engineer of Record (Harthorne Hagen) will need to complete "As Built condition" drawings for the project as required by the local utilities and the Port of Seattle. Commission authorization of this request will also provide funds to resolve a pending claim for additional costs from Harthorne Hagen and complete out of scope construction elements identified during construction given the advances in communications technology and changes in specified equipment in the design that are not longer available or considered obsolete. Estimated costs to complete the project including all of these elements are \$300,000.

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PROJECT DESCRIPTION/SCOPE OF WORK:

Project Statement:

Develop and construct a warehouse and distribution center within a three mile radius of the Airport that meets Aviation Maintenance needs with office space, employee and visitor parking by the spring of 2010 for \$9,300,000.

Project Objectives:

- Construct a warehouse and distribution center
- Provide a high bay structure for storage racks
- Provide for an expansion area on site for future needs
- Provide parking spaces for staff and visitors
- Provide loading docks that include truck delivery bays and garbage and recycling compactors bays
- Provide drive-in doors
- Provide an area for storage containers on grade within the perimeter fence.

Scope of Work:

- Complete the “As Built condition drawings” when construction is completed
- Complete additional scope identified during construction due to advances in technology

STRATEGIC OBJECTIVES:

The project supports the following Aviation Division Strategies:

Maintain Financial Strength – By consolidating distribution and warehousing, Aviation Maintenance is reducing the duplication of inventory, increasing efficiency and controls in the management of the inventory. This leads to increased craft productivity and conforms to established accounting principles.

Demand-Driven High Density Development – To manage the land and facilities for high-density construction and cost-effective operations, the Distribution Center is being located near the future Port of Seattle Aviation Airfield and Vehicle Maintenance Shops on the southeast edge of the airport property in accordance with the Comprehensive Development Plan (CDP) to maximize future use of the area south of the Airport fuel farm.

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FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

The following budget and authorization summary is for Consolidated POS Aviation Warehouse (CIP # C800071):

Original Budget	\$8,300,000
Previous Budget Increase	\$700,000
Current Budget Increase	\$300,000
Revised Budget	\$9,300,000

Previous Authorizations	\$9,000,000
Current request for Authorization	\$300,000
Total Authorizations, including this request	\$9,300,000
Remaining Budget to be Authorized	\$0

Project Cost Breakdown

The breakdown of costs includes additional costs for construction, sales tax, outside professional services, and Port costs. The exact split of these costs is not yet known and includes resolution of a pending claim from Harthorne Hagen. We believe that the total of these costs will not exceed \$300,000.

Source of Funds

This project was included in the 2010-2014 Capital Budget and Plan of Finance as a committed project (CIP C800071) with a budget of \$9,000,000. The budget increase of \$300,000 will be transferred from CIP #C800152, Non-aeronautical new projects allowance, a business plan prospective project. Thus, the total capital budget for Aviation will not change. The project is funded by the Airport Development Fund and airport revenue bonds. The budget increase will be funded by the Airport Development Fund.

Financial Analysis Summary

CIP Category	New Facility
Project Type	Renewal & Replacement
Risk adjusted Discount rate	Not applicable
Key risk factors	Not applicable
Project cost for analysis	\$300,000

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Business Unit (BU)	Division-wide
Effect on business performance	Approximately 60% of the capital and operating costs will be allocated to the airfield and terminal cost centers and recovered from the airlines through landing fees and terminal rents. NOI after depreciation will increase. All costs above the original budget of \$8.3 million are treated as non-aeronautical costs since the cost increase was caused by a Port decision to move the warehouse to permit other non-aeronautical development.
IRR/NPV	Not applicable
CPE Impact	Increase CPE by \$.03 in 2010. As noted above, the cost increase has no impact on CPE.

ECONOMIC IMPACTS:

This project does not create any incremental economic impacts apart from supporting the existing substantial economic impacts at the Airport.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:

The Consolidated Port of Seattle Aviation Warehouse and a Distribution Center provides a more cost effective operation than dispersed warehousing. The Consolidated POS Aviation Warehouse and office building are designed to meet many “Green Building” criteria and have incorporated the following:

- Office day lighting
- Warehouse skylights
- Additional insulation
- Energy efficient lighting and controls
- Materials with low volatile organic compounds
- Water-saving features

TRIPLE BOTTOM LINE SUMMARY:

This project provides a cost effective means of providing the benefits of improving spare parts and materials management for the Airport. Airlines and travelers benefit from efficiency increases within maintenance operations that support the operational integrity of the Airport.

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PROJECT SCHEDULE:

The following is a list of key milestone dates for the project.

Construction Complete	February 2010
Beneficial Occupancy	March 2010

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

Complete the Project – Under this alternative the Consolidated POS Aviation Warehouse will open in March 2010 in compliance with the FAA agreement and as part of the long range strategy for consolidation of the warehousing of Port spare parts inventory. The completion of this project would provide the necessary facilities to support the long range goal of consolidating Port spare parts inventory. This is the recommended alternative.

Do-Nothing – Under this alternative, not approving the additional funding would further delay the consolidation of the Ports warehousing of spare parts and potentially cause issues with the Port's current agreement with the FAA to demolish the existing warehouse building and issues with our water district business partners. This is not the recommended alternative.

PREVIOUS COMMISSION ACTION:

On June 27, 2006, the Port Commission granted project wide authorization for the Consolidated POS Aviation Warehouse and Distribution Center at Seattle Tacoma International Airport for a total authorized amount of \$8,300,000.

On April 22, 2008, the Port Commission authorized the site location change for the Consolidated POS Aviation Warehouse and Distribution Center at Seattle Tacoma International Airport for a total authorized amount of \$700,000.

ATTACHMENTS:

Highline Water District Developer Extension Agreement.