

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5c

Date of Meeting July 26, 2011

DATE: July 20, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Mike Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group;
Ralph Wessels, Airfield Program Leader, Project Management Group

SUBJECT: United States Postal Service (USPS) Building Demolition;
WP #104110/CIP #C800254

Amount of This Request: \$5,605,000 **Source of Funds:** Airport Development Funds

Project Authorization to Date Including this Request: \$11,829,213

State and Local Taxes Expected to be paid: \$386,000 (total project)

Jobs Created: Estimate of 20 jobs

Total Estimated Cost: \$43,900,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to advertise and execute a major construction contract for the United States Postal Service (USPS) Demolition Project at Seattle-Tacoma International Airport (Airport) and authorize Port Construction Services (PCS) to self-perform work in support of the USPS Demolition project. The amount of this request is \$5,605,000, and the total cost of the project is \$43,900,000.

SYNOPSIS:

Sea-Tac International Airport's geographic location has traditionally been a determining factor in the accommodation of Remain Over Night (RON) aircraft by airline operators. Despite a reduction in overall aircraft operations of approximately 30% over the past decade, demand for RON parking has not, and is not projected to, decrease. To accommodate future growth within the very limited space available, the Airport must convert underutilized airfield assets to the highest and best use. This project will demolish an existing building to facilitate either the near-term construction of multiple aircraft hardstands on the former site of the now vacant USPS Air Mail Center or an engine run-up area, or "hush house" as noise mitigation. The decision to construct hardstands or a hush house will be based on an analysis of the best likely location for a proposed hush house.

The plan is to award one major demolition contract supported by a small works contract by PCS and related support work by PCS. This request would bring the total authorization for this project to \$11,829,213 out of a budget of \$43,900,000. A subsequent contract will construct the RON hardstand parking positions.

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BACKGROUND:

By virtue of being located in the northwest corner of the continental United States, a high number of originating departures are scheduled by the airlines to leave early in the morning to reach the most frequented destinations at desirable times. Similarly, aircraft return to the Airport at night to fuel and prepare again for the next day's early morning flights. As a result of the high number of morning departures, a disproportionately high number of passenger aircraft remain overnight at the Airport than there are terminal gates available. Indeed, while the Airport has in operation approximately 78 aircraft gates, roughly another 30 off-gate parking locations are required each night to accommodate RON aircraft. Hardstand parking positions are needed to accommodate these off-gate RON aircraft so that they are available for the morning peak traffic demand. After the first wave of early departures from the terminal gates is complete, the off-gate RON aircraft are moved to the vacant gates for a second wave of morning departures. Without the ability to accommodate off-gate RON aircraft, airlines would have to park these aircraft at another airport and fly them in for the early morning departures, which would be a costly and inefficient proposition. In the absence of sufficient RON parking capacity, airlines are unable to provide the optimal capacity for the identified local demand.

In August 2008, the Commission authorized 100% demolition design of the USPS Air Mail Center facility and 15% design of hardstands to accommodate additional RON parking for passenger aircraft. A memo to the Commission dated July 28, 2008, noted that between 2002 and 2007 the Airport experienced 17% passenger growth in air traffic, with a corresponding increased demand for RON parking of passenger aircraft. The available hardstands decreased by two positions (taxiway N and P stubs) when the third runway and associated taxiways were activated in 2008. Since 2008, the Airport has experienced a slight decrease in passenger volumes, but growth has been positive over the past year for both passengers and operations with no increase in available RON parking positions.

Factors influencing the supply and demand of RON positions are difficult to manage and predict as airline flight and aircraft maintenance schedules change frequently throughout the peak travel season, and occasionally unscheduled or irregular operations also occur. Until now, Airport staff has met RON demand but with increasing difficulty by managing more frequent parking and towing of aircraft onto and off of Airport controlled common use gates and hardstands, including the hardstands reserved for cargo aircraft. While agreements between airlines can be negotiated to allow RON parking of another airline's aircraft within the primary airline's leased hardstand area, Airport staff does not have sufficient control over these areas to guarantee the availability of RON space when needed.

Additional RON parking positions are needed to meet the expected demand and to provide flexibility to accommodate irregular schedules of both passenger and cargo aircraft. An in-depth analysis by Airport staff, and consent from the airlines through the Majority in Interest approval process, recommended the USPS Airmail Facility site for additional RON development at the Airport. The Port Commission authorized termination of the lease with USPS and a capital project for 100% demolition design and 15% hardstand design on August 26, 2008. Termination of the lease was completed on February 15, 2010, for an actual buyout total of \$4,972,045.45.

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PROJECT JUSTIFICATION:

Project Objectives:

The project objective is to demolish the USPS building in preparation for design, excavation, and construction of additional RON parking for aircraft.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This demolition project will facilitate the later construction of hardstands for the use as RON parking of aircraft at the former USPS site. This work will include establishing a new electrical power connection to energize lighting in the adjacent cell phone parking lot, demolition of the USPS building, and relocation of the Airfield Operations Area security fence.

In conjunction with this project, the Port of Seattle Fire Department and several local fire districts will be conducting training exercises in, around, and on the building prior to actual demolition.

Schedule:

Commission Authorization to Advertise	July 2011
Advertise	August 2011
Notice to Proceed	November 2011

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Preliminary Budget	\$28,097,000
Budget increases	\$15,803,000
Budget transfers	<u>\$0</u>
Revised Budget	\$43,900,000
Previous authorizations	\$ 6,226,213
Current request for authorization	<u>\$ 5,603,000</u>
Total Authorizations, including this Request	\$11,829,213
Remaining budget to be authorized	\$32,070,787

The original preliminary budget is based on conceptual elements in the Comprehensive Development Plan (CDP). Additional funds were granted to the project in 2009, as reflected in the revised budget. Further cost development is required depending on the final configuration and support systems specified by the airlines anticipated to fully utilize the hardstand. Such systems could include in-ground electrical power to eliminate noise and emissions from onboard aircraft auxiliary power units, accommodation for aircraft deicing, or the construction of other

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specialized facilities. In addition, taxiway grading requirements to optimize access to the site are currently being studied and will likely result in additional costs. The cost estimate will be updated during the design phase for the subsequent project to construct the RON facilities.

Budget Status and Source of Funds:

Aircraft RON Parking USPS Site (CIP #C800254) is included in the 2008-2012 capital budget and plan of finance as a business plan prospective project. The source of funds for this project will be the Aviation Development Fund and revenue bonds.

Financial Analysis and Summary:

CIP Category	Revenue/Capacity Growth
Project Type	Business Expansion
Risk adjusted Discount rate	n/a
Key risk factors	n/a
Project cost for analysis	\$43,900,000
Business Unit (BU)	Airfield
Effect on business performance	NOI after depreciation will increase since capital and operating costs will be recovered through landing fees
IRR/NPV	n/a
CPE Impact	\$0.22 in 2016; however, no change from business plan forecast as this project was included in the plan

Lifecycle Cost and Savings:

There is no lifecycle cost associated with the demolition phase of the project.

ENVIRONMENT AND SUSTAINABILITY:

During periods of non-peak activity, the new hardstand may reduce the need for passenger aircraft to RON at the distant north cargo hardstands, which are designed and utilized for air cargo operations. This improved proximity to the terminal will reduce the travel distance from RON spaces to the terminal, reducing cost and carbon emissions, and will be a more efficient operation for the airlines.

The CDP denotes the USPS demolition and hardstand project as a near-term airside project and an environmental review (NEPA/SEPA) has been completed.

This demolition project is being used as a case study to gather information on how much of the demolition materials are feasible to recycle, salvage, or be disposed of. This information will be used in the future to guide Port standards and/or requirements on future projects.

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STRATEGIC OBJECTIVES:

This project supports the Port's strategy to "Ensure Airport and Seaport Vitality."

BUSINESS PLAN OBJECTIVES:

Additional hardstand capacity is in alignment with the future goals of the Airport to anticipate and increase both passenger and cargo aircraft growth and demand.

TRIPLE BOTTOM LINE SUMMARY:

The development of the hardstand will provide a long-term solution for RON operations at the Airport. It will increase airline efficiency and reduce emissions. The region will continue to receive the economic benefit of the Airport operation.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

1. Airport staff conducted a decision analysis to determine the best location for the construction of new RON hardstands. Six sites were compared (Air Cargo IV, Delta Air Lines Cargo, USPS, Fire Station, United Airlines Maintenance Building, United Airlines Cargo Building) against nine criteria including cost, long-term plan compatibility, operational flexibility, and tenant impact. All sites considered are currently occupied by an existing facility. The USPS site was chosen over the other sites, primarily because it is a sufficiently large site the use of which for RON parking is consistent with the long-range CDP and because the USPS is an older building with diminished reuse value potential in comparison to the other sites at the Airport. Also, the USPS site provides the most number of RON positions, and it is less expensive to develop per RON position than the other sites analyzed. **Therefore, development of RON positions at the USPS site is recommended.**
2. Operational alternatives include the airlines discontinuing morning departure flights, foregoing market share, or parking aircraft at another airport overnight. None of these support the strategic objective to ensure Airport vitality, and would either increase costs to the operating airlines or result in loss of revenue from the loss of flights. This is not a practical or recommended alternative.
3. An additional capital alternative considered was the construction of additional passenger terminal facilities with aircraft gates to accommodate additional on-gate RON positions. This alternative is very expensive and not necessary at this time, and therefore it is not recommended.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Attachment A – Overview of area at the Airport to be demolished.

PREVIOUS COMMISSION ACTION:

On August 26, 2008, the Commission authorized the Chief Executive Officer to direct staff to amend the USPS lease to develop a cell phone lot, prepare demolition design of the USPS Air Mail Center Facility at Seattle-Tacoma International Airport, and design overnight aircraft parking positions and terminate the USPS building lease.