

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5d

ACTION ITEM

Date of Meeting December 4, 2012

DATE: November 21, 2012

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)

Amount of This Request: \$300,000 **Source of Funds:** Airport Development Fund and
future revenue bonds

Est. State and Local Taxes: N/A **Est. Jobs Created:** TBD

Est. Total Project Cost: \$12,130,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute one or more contracts 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 at the Airport, at a cost not to exceed \$300,000. The total estimated project cost is \$12,130,000.

SYNOPSIS:

The relocation of FAA's ASDE-X RU No. 7 antenna is required for construction of the Cargo 2 Hardstand Expansion project. The Commission earlier authorized the design for the Cargo 2 Hardstand Expansion project and the termination of the lease with ProLogis on September 25, 2012. The contracts with the FAA will allow antenna relocation design and later antenna construction to proceed.

The FAA has an ASDE-X RU No. 7 antenna located on a building that is owned by ProLogis in a leased area that will be demolished as part of the Cargo 2 West Hardstand Expansion project. The building is scheduled to be demolished in January 2014 following the one-year notification period for termination of the lease with ProLogis.

A high-level estimate of total cost for the relocation of the ASDE-X RU No. 7 antenna is \$300,000, although the actual cost will be established as part of the preliminary engineering

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effort. The FAA has provided an agreement that addresses preliminary engineering to relocate their ASDE-X RU No. 7 antenna and estimates the cost of that specific work at \$30,000. The preliminary engineering includes technical consultation, site visit, feasibility assessments, project planning, scope definition, development of cost estimates, and review of the Port's design for the hardstand expansion. The estimate of cost for design, construction, and installation will be established as part of the preliminary engineering effort.

Federal regulations require that federal agencies receive funds prior to performing work. If approved by the Commission, the Port will transfer \$30,000 to the FAA to perform the preliminary engineering. Once the estimate of cost to design, construct, and install the antenna in a new 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. Port staff will return to the Commission and seek additional fund authorization should the estimate of total cost for the relocation of the ASDE-X RU No. 7 exceed \$300,000.

The capital costs associated with this project were included in the 2013-2017 capital budget and plan of finance; however, the current authorization request of \$300,000 was not specifically identified in the 2013 operating budget. The Airport will utilize the contingency budget and/or identify other savings in the 2013 budget to absorb this cost.

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.

This 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 taxi lane 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; this building 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.

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PROJECT JUSTIFICATION:

The existing Cargo 2-West hardstand is the only existing hardstand position at the Airport that can efficiently and safely accommodate the cargo operation of the new 747-8F aircraft, and other aircraft design group (ADG) VI very large freighter aircraft. Because Cargo 2-West lacks adequate depth, the current -8F nose-load parking position is required to be perpendicular to existing parking lines, which results in the aircraft having to be positioned across a number of hardstand lines. This results in an inefficient use of the ramp by taking up two parking positions for a single operation. Effective alternatives do not exist.

Project Objectives:

- Improve the Cargo 2-West hardstand in order to accommodate the increased size and frequency of wide body cargo aircraft at the Airport
- Improve overall air cargo efficiency
- Support cargo volume growth

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

- Lease buyout from ProLogis
- Relocation of FAA ASDE-X RU No. 7 antenna
- Demolition of one cargo building currently owned by ProLogis
- Construction of the 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 FAA	December	2012
Commission Authorization to Advertise Construction Contract	August	2013
Advertise Construction Contract	September	2013
Building Acquisition	October	2013
Tenant Relocation Complete	December	2013
FAA Antenna Relocation Complete	December	2013
Notice to Proceed	January	2014
Construction Complete	October	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	\$0	\$0
Current request for authorization	\$0	\$300,000	\$300,000
Total Authorizations, including this request	\$2,410,000	\$300,000	\$2,710,000
Remaining budget to be authorized	\$9,420,000	\$0	\$9,690,000
Total Estimated Project Cost	\$11,830,000	\$300,000	\$12,130,000

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. The operating expense of \$300,000 was not specifically included in the 2013 operating budget. Consequently, the Airport will utilize the contingency budget and/or identify other savings in the 2013 budget to absorb this cost. The source of funds for this authorization request will be the Airport Development Fund. The total project funding plan will also include future revenue bonds. As presented in the Port’s plan of finance, the Airport has a number of projects that will require a revenue bond issue in 2013 or 2014.

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	\$12,130,000
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	\$0.06 in 2015; however, no change from business plan forecast as this project was included.

STRATEGIC OBJECTIVES:

This project is consistent and necessary for the implementation of the Commission’s Century Agenda goals that call for tripling air cargo volume over 25 years.

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BUSINESS PLAN OBJECTIVES:

This project is included in the 2013-2017 Aviation Business Plan to support the goal of operating 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:

This project will 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. The project will also reduce airfield carbon and other gas emissions by providing electrical power as an alternative to fuel-powered generator operations.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

- Alternative 1 - Do Nothing: This alternative would not allow for relocation of the FAA ASDE-X RU No. 7 antenna nor would it allow for 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 one or more agreements with 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.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Draft FAA/Port Agreement for Relocation of ASDE-X RU No. 7 Antenna.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

On 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.