PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4h

Date of Meeting July 14, 2015

DATE: July 7, 2015

TO: Ted Fick, Chief Executive Officer

FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: S4 and S6 International Corridor Connector (CIP #C800662)

Amount of This Request:	$457,000	**Source of Funds:**	Airport Development Fund
Est. Total Project Cost:	$5,307,000		
Est. State and Local Taxes:	$312,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to increase the budget for the S4 and S6 International Corridor Connector Project (CIP #C800662) to address increased asbestos abatement costs, the additional cost to retain the full use of Gate S5 and the use of Port forces. The amount of this request is $457,000 for a total estimated project cost of $5,307,000.

SYNOPSIS

This project was conceived to increase international wide body gate capacity at the South Satellite in order to meet growing demand. Now that construction is underway, increased asbestos abatement costs require additional funding in order to complete the project as planned. Further, the retention of an additional narrow body gate has presented us with an opportunity to help manage the overall growth in traffic for a relatively low investment.

BACKGROUND

On February 25, 2015, the Port Commission authorized both the design and construction of this project. Its primary objective was to reconfigure two existing gates currently used for domestic, narrow-body aircraft operations only (Gates S4 and S6) and connect them to the Airport's current international arrivals facility by extending the International Corridor at the South Satellite. One existing domestic, narrow-body aircraft gate was to have been deactivated (Gate S5) allowing Gates S4 and S6 to be configured to accept international, wide-body aircraft operations.

During design, existing site conditions precluded using the conceptual approach developed during project definition to connect the two gates to the International Corridor using a prefabricated external corridor system without exceeding the project budget. When it was

discovered that the original concept would require nearly twice the budget, the project team determined that the same objective could be completed with an interior corridor within the authorized construction budget. This change resulted in an additional $165,000 in asbestos abatement during construction and that overrun is now limiting the ability to complete the project as scoped.

When this project was conceived, the growth in international traffic outstripped the Airport's international wide body gate capacity. Since its authorization, overall Airport growth has increased demand for narrow body gates as well. Further review of gating options at the South Satellite have shown that retaining Gate S5 as a narrow body gate will provide the opportunity to meet the increased demand for narrow body domestic gates for both remain overnight and morning operations as well as meet the demand for mid-day peak wide body gates by providing a "two for one" two narrow body and one wide body configuration for Gates S4, S5, and S6.

PROJECT JUSTIFICATION AND DETAILS

Due to developments during design as described above, the project increased the amount of asbestos abatement. This cost can no longer be absorbed in the project budget and still complete the entire project scope. The budget overrun for the increased asbestos abatement totals $165,000. This amount will be needed to complete the project scope as authorized. To otherwise remain within the project budget, scope would have to be reduced. This is described more fully in the alternatives section below.

Retaining the Gate S5 narrow body position now, for an additional project cost of $292,000, retains a terminal connected gate for parking overnight and off mid-day peak operations. This gate would be provided with the full utilities normally provided, including ground power and PC Air. In comparison, to add this gate back in the future would cost approximately $2,000,000 for the new bridge and utilities. Gate S5 would also be connected to the International Corridor and therefore all 13 gates at the South Satellite would be connected to international arrivals for the first time. The PLB at Gate S5, though it would be retained today and satisfy the increased demand for narrow body gates, is in need of replacement due to its age and size. A future project would replace it for a cost of approximately $1,200,000.

Project Objectives

The original objectives of this project are:

- To provide increased gating options for international aircraft operations at the Airport.
- To minimize or eliminate hold time for arriving international aircraft while they await access to an appropriate gate position.
- To minimize the need for remote hardstand or split operations.

Scope of Work

- Extend the international corridor (IC) at the South Satellite to connect Gate S4, S5 and S6 using an exterior walkway and interior corridor

- Furnish and install a new passenger loading bridge (PLB) and fixed walkway at Gate S4 that will connect to both the newly extended IC and the concourse levels
- Install additional electrical and PC Air utility feeds to Gate S6 to provide necessary additional aircraft power and conditioned air for a widebody aircraft at that gate
- Reconfigure aircraft parking at Gates S4, S5, and S6 to accommodate a mix of narrow body and widebody aircraft positions

Schedule

The original project schedule had called for beneficial occupancy in June 2015. Design took longer than planned. Construction is now underway and beneficial occupancy is anticipated by the end of September 2015.

FINANCIAL IMPLICATIONS

Budget/Authorization Summary	Capital	Expense	Total Project
Original Budget	$4,800,000	$50,000	$4,850,000
Budget increase	$292,000	$165,000	$457,000
Revised Budget	$5,092,000	$215,000	$5,307,000
Previous Authorizations	$4,800,000	$50,000	$4,850,000
Current request for authorization	$292,000	$165,000	$457,000
Total Authorizations, including this request	$5,092,000	$215,000	$5,307,000
Remaining budget to be authorized	$0	$0	$0
Total Estimated Project Cost	$5,092,000	$215,000	$5,307,000

Project Cost Breakdown	This Request	Total Project
Design	$85,000	$813,000
Construction	$351,000	$4,163,000
State & Local Taxes (estimated)	$21,000	$331,000
Total	$457,000	$5,307,000

Budget Status and Source of Funds

This project was included in the 2015-2019 Capital Budget and Plan of Finance with a budget of $4,800,000. The capital budget increase of $292,000 will be transferred from the Aeronautical Allowance CIP (C800404), resulting in no net change to the Airport capital budget. The Funding source will be the Airport Development Fund. The increased expense costs will be absorbed in the 2015 operating budget.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal/Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	$5,307,000
Business Unit (BU)	Terminal Building
Effect on business performance	NOI after depreciation will decrease
IRR/NPV	N/A
CPE Impact	$0.01 in 2015

STRATEGIES AND OBJECTIVES

This project supports the Port's Century Agenda objectives of making Seattle-Tacoma International Air the West Coast 'Gateway of Choice' for international travel and of meeting the region's air transportation needs at the Airport for the next 25 years by providing critically needed international and domestic gate capacity.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Project remains within existing budget. The project is completed with a reduced scope by eliminating the widebody PC Air unit for Gate S6 and corridor Wi-Fi improvements to remain within the existing budget. The project is not changed to retain a functional Gate S5.

Additional Cost: $0
Pros:

- No additional cost

Cons:

- Lost opportunity to retain a narrow body gate at Gate S5
- Gate S6 PC Air unit cannot fully service a widebody aircraft, requiring the use of the aircraft's auxiliary power unit (APU), consuming fuel and adding exhaust to the air.
- No corridor Wi-Fi. This will limit the ability of arriving international passengers making use of the new Customs and Border Protection mobile app for uploading of required Customs documents and data.

This is **not** the recommended alternative.

Alternative 2) – Project budget is increased $165,000 and Gate S5 is retained as-is. The project is completed with a widebody PC Air unit for Gate S6 and corridor Wi-Fi improvements. Gate S5 is not deactivated and its PLB is retained.

Additional Cost: $165,000

Pros:

- Corridor Wi-Fi is available for passengers use of the new Customs and Border Protection mobile app for uploading of required Customs documents and data
- PC Air unit is at the correct capacity for Gate S6 widebody aircraft
- Retain the narrow body gate at Gate S5

Cons:

- Requires a separate Ground Power Unit (GPU) at Gates S5 and S6 and/or use of APU for aircraft electrical power.
- Requires a separate PC Air Unit at Gate S5 or the use of APU for aircraft conditioned air.
- Cannot board or deplane narrow body aircraft at Gates S5 and S6 simultaneously due to single gate door only at S6 which severely limits overnight parking and morning use.

This is **not** the recommended alternative.

Alternative 3) – Project budget is increased $457,000 and Gate S5 is retained with full utilities and access. The project is completed with a widebody PC Air unit for Gate S6 and corridor Wi-Fi improvements. Gate S5 is not deactivated, its PLB is retained, and it is provided with full utilities including PC Air and ground power.

Additional Cost: $457,000
Pros:

- Corridor Wi-Fi is available for passengers use of the new Customs and Border Protection mobile app for uploading of required Customs documents and data
- PC Air unit is at the correct capacity for Gate S6 widebody aircraft
- An additional narrow body gate at Gate S5, with full utilities and access

Cons:

- At $457,000, this alternative has the highest cost of the three alternatives

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- February 25, 2014 – The Commission authorized design and construction of this project.