



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6g

ACTION ITEM

Date of Meeting March 24, 2020

DATE: March 16, 2020
TO: Stephen P. Metruck, Executive Director
FROM: Laurel Dunphy, Director, Aviation Operations
Wayne Grotheer, Director, Aviation Project Management
SUBJECT: Building 161D Air Cargo Modifications Project (CIP #C801051)

Amount of this request: \$390,000
Total estimated project cost: \$600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to complete design and proceed with building alterations and ramp construction for Building 161D Modifications at the Seattle-Tacoma International Airport and use Port Construction Services, including Port crews, in an amount not to exceed \$390,000 of a total project cost estimate of \$600,000.

EXECUTIVE SUMMARY

Building 161D, formerly occupied by United Parcel Service (UPS), and also known as BT Properties, reverted to Port of Seattle (Port) ownership at the end of 2018, following the expiration of its ground lease. The building is currently configured for truck operations only. Two overhead cargo bay doors will be reconfigured into a single wide opening in conjunction with construction of a sloped ramp from the truck bay level to ground level to provide ground equipment access into/onto the Airport Operations Area (AOA). The purpose is to help relieve unmet demand for airside cargo handling access into the active AOA.

JUSTIFICATION

The operational justification for this project is the need to utilize available airfield warehouse space to facilitate the movement of air cargo onto and off the field to accommodate demand for trade and to relieve existing space congestion. This project will repurpose 16,000 square feet of existing space formerly used in a truck to truck-only configuration to allow movement of cargo from trucks, through the building and to AOA secured aircraft, and the reverse. Constructing the ramp provides an efficient connection from the elevated level of the warehouse floor to the level of the airfield surface; similar to other air cargo buildings with airfield access, for airfield tugs pulling a string of cargo dollies.

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The leasehold revenue stream from this building has increased following its complete return to Port ownership and will be sufficient to repay the cost of building modifications in three years. Prior to the building reverting completely to Port ownership, revenue from the combined building and ground lease was approximately \$240,000 annually. Under full Port ownership, and with the modifications facilitating efficient use of the building by an airfield cargo operations tenant, lease revenues will be approximately \$485,000 annually, for an incremental increase of approximately \$200,000 (net of estimated annual expenses of \$45,000). This incremental revenue will provide a payback on the capital project in approximately 3.0 years based on the \$600,000 project cost. This relatively short payback period will occur within the span of the first operational lease period to the tenant, and thus carries low risk.

Diversity in Contracting

For the 161D Building Modifications, PCS crews as well as small works contracts will be utilized for this project. Although WMBE aspirational goals are not set on small works contracts, typically these types of projects are primed by small businesses. Project staff is working with the Diversity in Contracting department to outreach to WMBE businesses whom may be interested in this project

DETAILS

Scope of Work

- (1) Modification of two cargo bay doors into a single opening
- (2) Construction of a ramp from ground level to loading dock level in alignment with door modifications
- (3) Improve external lighting above door opening

Schedule

Commission construction authorization	2020 Quarter 1
Construction start	2020 Quarter 2
In-use date	2020 Quarter 2

Cost Breakdown

	This Request	Total Project
Design		\$210,000
Construction	\$390,000	\$390,000
Total	\$390,000	\$600,000

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do nothing - Lease Building 161D as is with single bay, elevator ramp to newly connected AOA access.

Cost Implications: \$0

Pros:

- (1) Tenant able to operate in building
- (2) Helps relieve demand for air cargo facilities that are connected to the AOA
- (3) Allows tenant to make office space reconfigurations to their own specifications and needs

Cons:

- (1) Building and cargo tenant are less efficient without direct ramp access for tugs and dolly strings
- (2) High use of the hydraulic cargo elevator may result in higher maintenance costs

This is not the recommended alternative.

Alternative 2 – Modify Building 161D for functional air cargo support uses by modifying two (2) overhead cargo bay doors at the SW corner of the building (Doors 17 and 18) into a single opening. Provide a new ramp from grade level to the warehouse floor in relation to the newly modified opening with direct AOA access, and refurbish office spaces.

Cost Implications: \$900,000

Pros:

- (1) Helps relieve demand for air cargo facilities that are connected to the AOA
- (2) Larger opening and drivable ramp increases efficiency of direct AOA access and increases work flow

Cons:

- (1) Longer schedule duration
- (2) Significant cost increases over other alternatives

This is not the recommended alternative.

Alternative 3 – Modify Building 161D for functional air cargo support uses by modifying two (2) overhead cargo bay doors at the SW corner of the building (Doors 17 and 18) into a single opening. Provide a new ramp from grade level to the warehouse floor in relation to the newly modified opening with direct AOA access.

Cost Implications: \$600,000

Pros:

- (1) Helps relieve demand for air cargo facilities that are connected to the AOA
- (2) Easiest alternative to accomplish in the shortest time period to allow for new tenant to become operational with a high degree of operational efficiency

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- (3) Allows tenant to make office space reconfiguration to their own specifications and needs
- (4) Larger opening and ramp increases direct AOA access and increases work flow

Cons:

- (1) Tenant makes own space modifications

This is the recommended alternative.

FINANCIAL IMPLICATIONS

The estimate reduction shown below is the combined scope change to delete office space refurbishment and by the prior decision to transfer the AOA Fence connection portion to the on-going AOA Perimeter Fence Line project.

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$900,000	\$0	\$900,000
Estimate Changes	(\$300,000)		(\$300,000)
Revised estimate	\$600,000	0	\$600,000
AUTHORIZATION			
Previous authorizations	\$210,000	0	\$210,000
Current request for authorization	\$390,000	0	\$390,000
Total authorizations, including this request	\$600,000	0	\$600,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project is included in the 2020-2024 capital budget and plan of finance with a budget of \$900,000. The budget decrease will be transferred to the Aeronautical Reserves CIP (C800753) resulting in zero net change to the Aviation capital budget. The funding source would be the Airport Development Fund (ADF).

Financial Analysis and Summary

Project cost for analysis	\$600,000
Business Unit (BU)	Airfield Commercial Area
Effect on business performance (NOI after depreciation)	NOI after depreciation will decrease
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

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ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None