



**COMMISSION
AGENDA MEMORANDUM**

Item No.

8d

ACTION ITEM

Date of Meeting

May 9, 2023

DATE: May 1, 2023

TO: Stephen P. Metruck, Executive Director

FROM: Jermaine Murray, Director Port Construction Services
Eileen Francisco, Director, Aviation Project Management Group

SUBJECT: Port Construction Services (PCS) Facility Improvement (C801359)

Amount of this request: \$4,930,000

Total estimated project cost: \$5,100,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) utilize Port crews and (2) take all steps necessary to complete the PCS Facility Improvement project at Seattle-Tacoma International Airport (SEA). This request is in the amount of \$4,930,000 for a total authorization amount of \$5,100,000.

EXECUTIVE SUMMARY

PCS provides construction support to the Aviation, Maritime, and Economic Development operating divisions of the Port. The PCS Facility is located south of SEA. Constructed over twenty years ago, it includes a logistics area, laydown/storage, two modular buildings, and two shops. One of the modular buildings supporting crew operations was purchased twenty-five years ago and requires immediate replacement. To respond to the increasing demand for their services, the PCS crew will nearly double in size and to serve their needs their supporting facilities need to grow with them. Given the long-term property development needs of SEA this project will support the initial expansion of the PCS Facility and is intended to support construction operations for the next five years. A second phase that is currently being programmed will be required in the near future though it is not a part of this request.

JUSTIFICATION

PCS provides vital support to the Aviation, Maritime, and Economic Development operating divisions. PCS supported 175 projects representing approximately \$11 million of construction related work in 2022. This project reinvests in facilities essential to PCS construction operations thereby supporting the following Century Agenda Goals:

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- Position the Puget Sound region as a premier international logistics hub to meet the region's international trade and cargo needs in an efficient and sustainable manner.
- Advance this region as a leading tourism destination and business gateway by meeting the region's air transportation needs by delivering vital facilities and infrastructure in a sustainable and cost-effective manner.

Diversity in Contracting

This project will be delivered through a combination of in-house design support, purchased goods, small works contracts, and Port crews. Small works contracts will be administered in support of this project, and the Diversity in Contracting Department along with the project team will be conducting outreach to WMBE businesses of the construction opportunities.

DETAILS

The PCS Facility was originally constructed in 2001 and is located south of SEA in the vicinity of 28th Ave S and S 196th St. The site includes a logistics area, laydown/storage, two modular buildings (one for administration and one for crew operations), and two shops. PCS is currently in the process of expanding their crew size to meet the work demands from the Aviation, Maritime, and Economic Development divisions. In 2022 the PCS crew size increased to 27 people and is planned to expand to 45 people by early 2024. This is a significant increase and warrants additional investment in facilities to support construction operations.

The existing crew operations modular building was purchased in 1998 and has outlived its useful life. The modular building is experiencing roof and window leaks, dry-rot, mold, and plumbing and mechanical system failures. In addition, with the growth in PCS the existing modular building is not large enough to support construction operations. An immediate replacement is required.

SEA is evaluating property needs to support Airport operations over the next twenty years. This includes the PCS Facility site. A phased approach is being taken to support PCS construction operations while the longer-term needs are being assessed. This project is intended to support the immediate and short-term needs over the next five years. A follow-on project will address the longer-term facility needs that are consistent with SEA's overall property needs. These longer-term facility improvements are not part of this project effort, and the initial planning is anticipated to be completed in Q3 this year. The new modular building supporting crew operations can be repurposed in the future as a construction field office if required.

Adjacent to the PCS Facility is compressed natural gas (CNG) fueling facility operated by Clean Energy. This facility went into operation in 2002 with an initial ten-year lease, followed by a second five-year lease that ended in 2016. Clean Energy has continued to operate at this location on a month-to-month basis and will be relocating their operation to Pacific later this year. This facility will be demolished and incorporated into the PCS Facility as part of this project. SEA has utilized this facility as a backup CNG fueling facility supporting the employee parking and rental

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car transit operations. Alternative operational plans are being put in place utilizing other nearby CNG fueling facilities to ensure the resilience of these transit operations.

Scope of Work

The scope of work includes:

- Demolition of an existing modular building and CNG fueling facility. The tenant, Clean Energy, will be required to remove their equipment and appurtenances.
- Purchase and installation of an expanded modular building that includes an assembly/break area, kitchen, shared offices, locker rooms, restrooms, and a shower.
- Reconfiguration of storage and laydown areas to accommodate additional large vehicles and equipment.
- Expansion of the logistics area that supports vehicle, equipment, and employee parking and vendor deliveries and associated site improvements including lighting, security video system, landscaping, storm water improvements, and a new entrance gate with access control.
- Extension of the sidewalk along S 196th St to the PCS Facility providing pedestrian access to 28th Ave S and the nearby Angle Lake Light Rail Transit Station.

The scope of work also includes an early work phase that provides temporary parking at the CNG fueling facility prior to its suspension of operations in October 2023.

Schedule

| | |
|--------------------|---------|
| Design start | 2023 Q2 |
| Construction start | 2023 Q4 |
| In-use date | 2024 Q2 |

Cost Breakdown

| | This Request | Total Project |
|--------------|--------------|---------------|
| Design | \$695,750 | \$865,750 |
| Construction | \$4,234,250 | \$4,234,250 |
| Total | \$4,930,000 | \$5,100,000 |

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Replace crew operations modular building with same sized facility.

Cost Implications: \$1,500,000

Pros:

- (1) Requires the least amount of investment by the Port.
- (2) Supports development of the long-term property needs at SEA before investing further into the PCS Facility.
- (3) Shortest implementation schedule with completion estimated in Q2 2024.

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Cons:

- (1) Replaces the crew operations modular building in-kind resulting in a significantly undersized facility with non-equitable working conditions.
- (2) Does not expand the PCS Facility logistics space to support construction operations.

This is not the recommended alternative.

Alternative 2 – Expand PCS Facility onto adjacent undeveloped Port-owned parcel.

Cost Implications: \$9,900,000

Pros:

- (1) Replaces the crew operations modular building providing equitable working conditions for PCS crew.
- (2) Expands the PCS Facility logistics space to support construction operations.
- (3) Retains the existing CNG Fueling Facility until the tenant chooses to vacate the facility.

Cons:

- (1) Requires the most capital investment by the Port.
- (2) Longest implementation schedule with completion estimated in Q3 2025.
- (3) Greatest investment in site development that may be contrary to the long-term property needs of SEA.

This is not the recommended alternative.

Alternative 3 – Expand PCS Facility onto adjacent CNG Fueling Facility site.

Cost Implications: \$5,100,000

Pros:

- (1) Replaces the crew operations modular building providing equitable working conditions for PCS crew.
- (2) Expands the PCS Facility logistics space to support construction operations.
- (3) Shorter implementation schedule with completion estimated in Q3 2024.

Cons:

- (1) Greater capital investment required by the Port.
- (2) Requires termination of lease with Clean Energy resulting in some revenue loss to the Port (approximately \$2,800 per month).
- (3) Requires an alternative backup fueling location with greater travel time to provide resiliency for SEA employee parking and rental car transit operations.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS***Cost Estimate/Authorization Summary***

| | Capital | Expense | Total |
|--|-------------|-----------|-------------|
| COST ESTIMATE | | | |
| Original estimate | \$4,930,000 | \$170,000 | \$5,100,000 |
| AUTHORIZATION | | | |
| Previous authorizations | \$170,000 | \$0 | \$170,000 |
| Current request for authorization | \$4,760,000 | \$170,000 | \$4,930,000 |
| Total authorizations, including this request | \$4,930,000 | \$170,000 | \$5,100,000 |
| Remaining amount to be authorized | \$0 | \$0 | \$0 |

Annual Budget Status and Source of Funds

This project (CIP #C801359) was not included in the 2023-2027 capital budget and plan of finance. The budget of \$4,930,000 was transferred from the Aeronautical reserve. The funding sources will be the Airport Development Fund (ADF) and revenue bonds.

Financial Analysis and Summary

| | |
|---|--|
| Project cost for analysis | \$5,100,000 |
| Business Unit (BU) | Division-wide, 61.8% airlines cost recovery |
| Effect on business performance (NOI after depreciation) | NOI after depreciation will increase due to inclusion of capital (and operating) costs in airline rate base. |
| IRR/NPV (if relevant) | N/A |
| CPE Impact | \$0.01 in 2024 |

Future Revenues and Expenses (Total cost of ownership)

As a result of this project, Aviation Maintenance anticipates minor impacts resulting in increased annual operation and maintenance costs. Costs for the crew operations modular building are anticipated to remain the same. The site improvements, including the lighting and landscaping will result in a minor increase in operation and maintenance costs.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None