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COMMISSION

AGENDA MEMORANDUM Item No. 8b

ACTION ITEM Date of Meeting May 28, 2024

DATE: May 20, 2024

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: \$500,000

Total estimated project cost: \$5,600,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to authorize an additional \$500,000 for a total of \$5,600,000 to support the Port Construction Services (PCS) Facility Improvement project.

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.

The project is being implemented in phases with the first two phases currently under construction. The project scope has increased for the last phase, the site improvements, to include a modular building foundation slab and additional storm drainage improvements to meet regulatory requirements. The additional authorization request supports this project scope increase.

JUSTIFICATION

PCS provides vital support to the Aviation, Maritime, and Economic Development operating divisions. PCS supported 379 projects representing approximately \$14.5 million of construction

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support in 2023. This project reinvests in facilities essential to PCS construction operations thereby supporting the following Century Agenda Goals:

- 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 project is being delivered in three phases. The first phase includes the demolition of the improvements on the Clean Energy site. This work has been permitted and is underway. Phase 2 includes the purchase and installation of the modular building. The procurement of this purchase contract has been extended since the first advertisement resulted in no acceptable bids. The second advertisement was successful and is in the process of being executed. Now that the modular building is purchased the design team can complete the final design and permitting of the site improvements. The scope of work for the site improvements has increased to provide a foundation slab for the modular building, and to meet storm drainage regulatory requirements, and has resulted in the budget increase of \$500,000.

Scope of Work

The scope of work of this project includes:

- 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.

Schedule

Construction Site Demolition Begins 2024 Quarter 2

Commission Additional Project authorization 2024 Quarter 2

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Construction start 2024 Quarter 2

In-use date 2025 Quarter 1

Cost Breakdown This Request Total Project

Design \$0 \$824,000

Construction \$500,000 \$4,776,000

Total \$500,000 \$5,600,000

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 the 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.

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.

Cons:

- (1) Requires the most capital investment by the Port.
- (2) Longest implementation schedule with completion estimated in Q4 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.

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

Cost Implications: \$5,600,000

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 Q1 2025.

Cons:

(1) Greater capital investment required by the Port.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary Capital Expense Total

COST ESTIMATE

Original estimate \$4,930,000 \$170,000 \$5,100,000

Current change \$490,000 \$10,000 \$500,000

Revised estimate \$5,420,000 \$180,000 \$5,600,000

AUTHORIZATION

Previous authorizations \$4,930,000 \$170,000 \$5,100,000

Current request for authorization \$490,000 \$10,000 \$500,000

Total authorizations, including this request \$5,420,000 \$180,000 \$5,600,000

Remaining amount to be authorized \$0 \$0 \$0

Annual Budget Status and Source of Funds

This project (CIP #C801359) was included in the 2024-2028 capital budget and plan of finance with a total capital budget of \$4,930,000. The additional \$490,000 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 \$5,600,000

Business Unit (BU) Division-Wide, 69.2% airlines cost recovery.

Effect on business performance NOI after depreciation will increase due to inclusion of (NOI after depreciation) capital (and operating) costs in airline rate base.

IRR/NPV (if relevant) N/A.

CPE Impact \$0.02 in 2026

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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.

ADDITIONAL BACKGROUND

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 has expanded to 45 people. 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 was completed late last 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 was a compressed natural gas (CNG) fueling facility operated by Clean Energy. This facility went into operation in 2002 and has since relocated their operations to Pacific late last year. This facility has been vacated and will be incorporated into the PCS Facility as part of this project.

ATTACHMENTS TO THIS REQUEST

(1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

May 9, 2023 – Commission authorization to 1) utilize Port crews and 2) take all steps necessary to complete the project.

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