

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**  
**ACTION ITEM**

<b>Item No.</b>	<u>6b</u>
<b>Date of Meeting</b>	<u>December 3, 2013</u>

**DATE:** November 25, 2013  
**TO:** Tay Yoshitani, Chief Executive Officer  
**FROM:** Michael Ehl, Director, Airport Operations  
Wayne Grotheer, Director, Aviation Program Management

**SUBJECT:** NorthSTAR North Main Terminal Improvements Project (CIP #C800545)

<b>Amount of This Request:</b>	\$1,500,000	<b>Source of Funds:</b>	Airport Development Fund and Future Revenue Bonds
<b>Est. Total Project Cost:</b>	\$30,000,000		
<b>Est. State and Local Taxes:</b>	\$1,900,000		

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to (1) prepare 30% design documents, (2) use Port crews to support site investigation needed to prepare design documents, and (3) execute consultant contracts for design documents for the North Main Terminal Improvements at Seattle-Tacoma International Airport in the amount of \$1,500,000. The total estimated project cost is \$30,000,000.

**SYNOPSIS**

This project is a component of the North Sea-Tac Airport Renovation (NorthSTAR) program to support Alaska Airlines curb-to-seat vision to improve passenger throughput and circulation, enhance customer service, improve operational efficiency, allow more efficient use of the north main terminal checkpoint, passenger circulation/processing to better support future passenger growth, improve aesthetics, and to maximize openness. The project will reconfigure and expand the security checkpoint; update passenger check-in and baggage drop off in the north main terminal, incorporate dynamic variable message and static signage, and make minor curbside improvements. The existing security checkpoint is space-constrained and has poor air quality and circulation. There is no ability to expand this checkpoint to meet projected passenger levels since it is constrained in space between the secure concourse, vertical circulation, and now vacant airline counters (previously United Airlines) that can be removed to provide space to expand. The project will incorporate self-check-in, bag tagging, and baggage drop off technology for passengers and locate a limited amount of airline counters to accommodate future growth. Aesthetic upgrades such as modernizing finishes and upgrading flooring as well as maximizing openness will be pursued. Alaska Air Group (AAG) plans to implement innovative and interactive customer service initiatives for its passengers within this space. Sustainable

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materials will be utilized to the extent possible. This project was included in the 2014-2018 capital budget and plan of finance.

### **BACKGROUND**

The North Main Terminal Improvements Project is one project within the NorthSTAR program. The current checkpoint is severely space-constrained, consisting of seven irregularly placed passenger-screening lanes with no room for expansion to meet the projected AAG passenger growth. The constrained space also limits flexibility to accommodate queuing requirements critical to improving passenger throughput. Further, the checkpoint being situated in the confined back corridor has created heating, cooling and air quality and flow issues beyond the capability of the existing 30 year old heating/air-conditioning (HVAC) system.

In addition to the checkpoint expansion, the project will implement improvements to passenger processing and circulation in the north main terminal ticketing lobby and curbside through the use of static and dynamic variable message signage and minor curbside improvements. Alaska Air Group will be implementing innovative and interactive initiatives to enhance customer service. These initiatives will be consistent with the airline innovation, wayfinding and branding activities being incorporated throughout the NorthSTAR program. New technologies for passenger self-check-in, bag tagging, and baggage drop off will be pursued for use in the ticketing lobby and promenade/sky bridge level. To accommodate future growth, new airline counters will be situated potentially against the ticketing lobby window wall to minimize disruption of the passenger circulation through the north main terminal. Further, opportunities to upgrade the terminal appearance/finishes and maximize openness similar to that done in the south main terminal will be pursued.

### **PROJECT JUSTIFICATION AND DETAILS**

The inability of the current location and configuration of the north security checkpoint to meet the projected growth will significantly impact the objectives for the NorthSTAR program. With the relocation of United Airlines to the southern end of the terminal as part of the Airline Realignment Project, the ticket counters and adjacent airline support offices are vacant and the ticketing lobby is significantly underutilized. The corridor behind the vacated ticket counters/office space is narrow, requiring an irregular, linear placement of the Transportation Security Administration (TSA) passenger security checkpoint equipment and associated queuing, limiting the ability of the Port and TSA to effectively align the checkpoint lanes to improve efficiency and throughput. Current projections for passengers utilizing the north security checkpoint before proceeding to the North Satellite and C and D Concourse forecasts the need for two additional checkpoint lanes, increasing the number from seven to nine. The constrained back corridor cannot accommodate further expansion, and other nearby checkpoints are unable to accommodate the growth. The design of the checkpoint will utilize the latest TSA checkpoint design standards and guidelines for equipment arrangements and passenger queuing.

Self-check-in, bag tagging, and baggage drop off technologies will be implemented to provide efficient processing of passengers, utilizing space in a manner that is convenient to but does not

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impair circulation within the ticketing lobby and from the curb and sky bridges accessing the parking garage. Dynamic variable message and static wayfinding signage will be incorporated into the project to improve the passenger experience. Further, a limited number of new airline counters will be installed to accommodate future growth. Expanding the existing front window wall of the terminal similar to the expansion under construction at the south main terminal will be pursued. Finally, AAG will be implementing customer service innovations and branding consistent with initiatives currently in development for the North Satellite improvements.

### ***Project Objectives***

- Reconfigure and expand the north main terminal passenger security screening checkpoint to meet projected passenger growth consistent with the NorthSTAR program projections and TSA design standards and guidelines.
- Maximize efficient passenger processing through implementation of self-check-in, bag tagging, and baggage drop off technologies.
- Install new airline counters to meet projected airline needs while minimizing impact on passenger circulation.
- Improve customer experience through implementation of innovative and interactive wayfinding and airport/airline informational displays and devices.
- Improve the conditioned environment in the north main terminal and maximize energy efficiency.
- Improve wayfinding through the use of dynamic variable message and static signage.
- Modernize terminal finishes and maximize openness.

### ***Scope of Work***

- Reconfigure and expand the north main terminal checkpoint from seven to nine lanes and reconfigure the checkpoint queuing.
- Locate and install self-ticketing and baggage drop off kiosks in the north main terminal and on the promenade/sky bridges.
- Install the appropriate number of new ticket counters to meet future demand, located potentially along the window wall.
- Upgrade passenger wayfinding to better accommodate passengers arriving from the curbside, parking garage/sky bridges, rental car buses, and the light rail station.
- Implement innovative and interactive technologies to enhance the customer experience when approaching and while in the terminal.
- Upgrade the HVAC system in the reconfigured north main terminal to improve the conditioned environment and energy efficiency.
- Install dynamic variable message and static signage from curbside through the checkpoint.
- Replaced terrazzo flooring, modernize finishes, and create openness in the ticketing lobby and checkpoint.

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### ***Schedule***

Commission Authorization to 30% Design	December 2013
30% Design Complete	July 2015
Design Complete	June 2016
Commission Authorization to Advertise Construction	July 2016
Construction Start	December 2016
Construction Complete	December 2017

The design phase will involve multiple phases, which accounts for the extended duration. The initial preliminary design phase will involve passenger flow modeling and conceptual layout designs to confirm the passenger security checkpoint configuration and size, and location of self check-in, bag drop off, and new airline counters in the ticketing lobby. This effort will better define the project scope from which a design firm will be procured to further refine the project scope, schedule and budget before starting the final design.

### **FINANCIAL IMPLICATIONS**

#### ***Budget/Authorization Summary***

	Capital	Expense	Total Project
Original Budget	\$30,000,000	\$0	\$30,000,000
Budget changes	\$0	\$0	\$0
Revised budget	\$30,000,000	\$0	\$30,000,000
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$1,500,000	\$0	\$1,500,000
Total Authorizations, including this request	\$1,500,000	\$0	\$1,500,000
Remaining budget to be authorized	\$28,500,000	\$0	\$28,500,000
Total Estimated Project Cost	\$30,000,000	\$0	\$30,000,000

#### ***Project Cost Breakdown***

	This Request	Total Project
Construction	\$0	\$20,000,000
Construction Management	\$30,000	\$2,700,000
Design	\$1,000,000	\$2,760,000
Project Management	\$450,000	\$2,120,000
Permitting	\$20,000	\$400,000
Art Program	\$0	\$120,000
State & Local Taxes (estimated)	\$0	\$1,900,000
Expense Items	\$0	\$0
Total	\$1,500,000	\$30,000,000

#### ***Budget Status and Source of Funds***

The North Main Terminal Improvements Project CIP #C800545 was included in the 2014 – 2018 capital budget and plan of finance as a business plan prospective project with a budget of \$30

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million. The funding sources for this project will include the Airport Development Fund and future revenue bonds. The Port plans to issue revenue bonds in 2014 to provide funding for multiple projects.

### ***Financial Analysis and Summary***

<b>CIP Category</b>	Renewal/enhancement
<b>Project Type</b>	Renewal & Replacement
<b>Risk adjusted discount rate</b>	N/A
<b>Key risk factors</b>	N/A
<b>Project cost for analysis</b>	\$30,000,000
<b>Business Unit (BU)</b>	Terminal Building cost center
<b>Effect on business performance</b>	NOI after depreciation will increase
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$0.11 by 2018. However, there is no change to business plan forecast as this project was included.

### ***Lifecycle Cost and Savings***

Annual operating and maintenance costs will be analyzed during project design. Focus will be directed to the HVAC system upgrades, flooring materials, electrical and communication systems, and low maintenance materials.

## **STRATEGIES AND OBJECTIVES**

The project supports the Century Agenda goal of meeting the region's air transportation needs at Sea-Tac Airport for the next 25 years. The reconfiguration and expansion of the north main terminal passenger security checkpoint, and the ticketing lobby usage, circulation, and wayfinding upgrades will enhance the customer service experience compared to the current congested checkpoint space and underutilization of the ticket lobby. Further, the expanded security checkpoint and reconfigured ticketing lobby will better support future passenger growth. In addition, completion of this project will facilitate AAG's vision to enhance customer service, create hassle-free passenger experience and improve operational efficiencies in concert with the improvements at the North Satellite of the NorthSTAR program.

## **TRIPLE BOTTOM LINE**

### ***Economic Development***

This project will promote air service development through provision of more efficient and expanded checkpoint and ticketing lobby services/circulation, increasing customer service, and allowing our business partners to expand their operations.

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### ***Environmental Responsibility***

This project will include energy efficient HVAC equipment, recycling of demolished materials, recycled and/or regional materials and other sustainable materials and products relative to indoor environmental quality.

### ***Community Benefits***

The Office of Social Responsibility (OSR) will provide support in determining small business participation, as described in the small business resolution 3618.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1) - Do Nothing:** The current north security checkpoint is congested and space constrained with no room for the necessary expansion to meet projected passenger growth. In addition, the ticketing lobby is significantly underutilized with the relocation of United Airlines to the south main terminal and the resulting vacant ticket counters and airline support offices. Maintaining the existing conditions would not meet the intent of the Letter of Understanding between the Port and AAG, nor meet the program's vision, goals and objectives to enhance customer experience from curb to seat. This alternative is not recommended.

**Alternative 2) – Expand the North Security Checkpoint:** This option would involve demolishing the vacant ticket counters and support offices to provide sufficient space to expand and to the extent possible, reconfigure the checkpoint queuing. This option would not address the upgrade and reutilization of the ticket lobby, sky bridges and curbside to enhance passenger circulation, self-check-in, bag tagging, and baggage drop off stations, wayfinding and informational displays, and placement of new airline counters in a manner that maximizes passenger circulation and throughput. This option would only partially meet the intent of the Letter of Understanding between the Port and AAG, and would not fully meet the program's vision, goals and objectives to enhance customer experience from curb to seat. This alternative is not recommended.

**Alternative 3) – Reconfigure and expand the north security checkpoint and upgrade the ticketing lobby circulation and services:** This option allows for the reconfiguration and expansion of the north passenger security checkpoint in a manner that maximizes the queuing and screening equipment to increase the efficiency of processing passengers to accommodate projected passenger levels. Self-check-in, bag tagging, and baggage drop technologies can be implemented to provide efficient processing of passengers, utilizing space in a manner that is convenient to but does not impair circulation into the lobby from curbside and from the sky bridges accessing the parking garage. A limited number of new airline counters will be installed to accommodate future growth. Further, AAG can implement customer service innovations and branding consistent with initiatives currently in development for the North Satellite improvements. With the reconfiguration of the north main terminal, HVAC upgrades will be implemented to improve the conditioned environment and achieve greater energy efficiency. This alternative fully meets the intent of the Letter of Understanding between the Port and AAG

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and the program's vision, goals and objectives to enhance customer experience from curb to seat. AAG supports this alternative. **This is the recommended alternative.**

## **ATTACHMENTS TO THIS REQUEST**

- Project Site Layout

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- September 24, 2013 – NorthSTAR Program status update.
- June 25, 2013 –NorthSTAR Program status update.
- April 9, 2013 – The Commission authorized the Chief Executive Officer to enter into a project labor agreement covering the NorthSTAR program's five major construction projects.
- March 26, 2013 –NorthSTAR Program status update.
- June 26, 2012 – The Commission received a briefing on the status of the Airline Realignment Program and budget restructuring in association with the NorthSTAR Program.
- April 4, 2012 – Authorizations for the North Sea-Tac Airport Renovations program for: 1) preliminary project funding; 2) execution of consulting contracts for design/construction support services and project management services; and 3) use of Port crews and consultants to conduct regulated materials management surveys and field support services for preliminary project planning tasks.