

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 5c
Date of Meeting November 19, 2013

DATE: November 11, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
James Schone, Director, Aviation Business Development
James Jennings, Manager, Aviation Properties
SUBJECT: Mezzanine Tenant Relocation at Seattle-Tacoma International Airport (CIP #C800560)

Amount of This Request:	\$1,997,000	Source of Funds:	Airport Development Fund
Est. Total Project Cost:	\$2,332,000		
Est. State and Local Taxes:	\$131,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to advertise for bids and award and execute a major construction contract for the Mezzanine Tenant Relocation project at the Seattle-Tacoma International Airport in an amount not to exceed \$1,997,000 out of a total estimated project cost of \$2,332,000.

SYNOPSIS

This project will relocate Airport Jobs, Port Credit Union and Port Sign Shop tenants at the Airport. Relocating these non-airline tenants will provide needed office space for new and existing airlines at the south end of the terminal.

This project was included in the 2014-2018 capital budget and plan of finance.

BACKGROUND

An essential element of an airline's operation at the Airport is office space located pre-security to support the airline's ticketing functions. The proximity of this office space to the ticket counters is highly important for operational efficiency. The Airport has limited pre-security office space to support current and future airline needs. The space created by this project is anticipated to accommodate the office space needs of approximately three airlines.

PROJECT JUSTIFICATION AND DETAILS

There is limited pre-security office space on the south end of the terminal to support current and future airline needs. As referenced in the Century Agenda, it is anticipated that the Airport will continue to see strong international growth, including the likely addition of new international carriers in the not-too-distant future. Airline realignment, Delta Air Lines flow-through ticket

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counter project (Zone 3), and United Airlines ticket counter push-back (Zone 2) have created a net reduction of approximately 8,500 square feet of airline office space on the south end of the terminal.

The Airport has received requests from existing tenants that have not been able to acquire the desired level of office space to support their airline operations. In an effort to respond to these current and emerging airline office space needs, the Port would relocate three non-airline tenants (Airport Jobs, Port Credit Union and the Port Sign Shop) that are currently occupying valuable office space on the south end of the mezzanine, to locations that are better suited for non-airline functions.

Project Objectives

- Create available pre-security office space for current and future airline needs on the south end of the terminal.
- Relocate non-airline tenants' office space and provide like-for-like accommodations for those tenants who will be relocated.

Scope of Work

- Reconfigure and provide needed infrastructure to the north mezzanine for the relocation of the Airport Jobs Office.
- Reconfigure and provide needed infrastructure to the central mezzanine for the relocation of the Port Credit Union. Modify the mezzanine corridor to provide additional space for circulation.
- Reconfigure and provide needed infrastructure to the central mezzanine for future revenue as a tenant space.
- Reconfigure and provide needed infrastructure to the Concourse A ramp area to relocate the Port Sign Shop.
- Prepare the vacated Airport Jobs office for a new tenant by reconfiguring the office space.

See attached Map of Tenant Relocations illustrating the changes.

Schedule

Commission Design Authorization	March	2013
Begin Design	April	2013
Commission Authorization for Construction	November	2013
Advertise Construction Contract	March	2014
Begin Construction	July	2014
Complete Construction	December	2014

FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$1,750,000	\$0	\$1,750,000
Budget increase	\$275,000	\$307,000	\$582,000
Revised budget	\$2,025,000	\$307,000	\$2,332,000

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Previous Authorizations	\$335,000	\$0	\$335,000
Current request for authorization	\$1,690,000	\$307,000	\$1,997,000
Total Authorizations, including this request	\$2,025,000	\$307,000	\$2,332,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$2,025,000	\$307,000	\$2,332,000

Project Cost Breakdown

	This Request	Total Project
Construction	\$1,379,000	\$1,379,000
Construction Management	\$228,000	\$356,000
Design	\$114,000	\$221,000
Project Management	\$117,000	\$217,000
Permitting	\$28,000	\$28,000
State & Local Taxes (estimated)	\$131,000	\$131,000
Total	\$1,997,000	\$2,332,000

Budget Status and Source of Funds

This project was included in the 2014-2018 Capital Budget and Plan of Finance, CIP #C800560, with a budget of \$1,750,000. The capital budget increase was caused by the need to move the west wall of the new Credit Union space in order to widen the corridor for improved circulation. The expense budget increase is due to a refined estimate of the cost to abate regulated materials. This new cost is included in the 2014 operating budget. The funding source for both the capital and operating costs will be the Airport Development Fund.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade & Customer Service
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$2,332,000
Business Unit (BU)	Terminal Building
Effect on business performance	Will increase NOI after depreciation
IRR/NPV	N/A
CPE Impact	CPE will increase by \$0.01 in 2014 due to regulated material abatement. The ongoing CPE impact will be \$.01, beginning in 2015, but no change to business plan forecast as this project was included.

Lifecycle Cost and Savings

Annual Operating and Maintenance Costs should be equal to or less than present costs.

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STRATEGIES AND OBJECTIVES

This project promotes the Port's Century Agenda objective of meeting the region's air transportation needs at Sea-Tac Airport for the next 25 years by adding capacity for office space within the existing main terminal building. As the Port strives to develop new business and serve 45 to 60 million passengers annually, including doubling the number of international flights, it is important to provide office space near airline ticketing operations so the airlines can conduct business efficiently.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. Existing airlines will continue to operate in less than desirable conditions and new carriers will not have office space available or in a location that is necessary to an efficient airline operation. This is not the recommended alternative.

Alternative 2) – Increase the footprint of the main terminal, creating new pre-security office space. This is an expensive alternative and real estate outside the terminal footprint is very limited and potentially not available. This is not recommended.

Alternative 3) – Relocate non-airline tenants, such as Airport Jobs, the Port Credit Union and the Port Sign Shop, that reside on the south end of the main terminal mezzanine to other less-congested locations in the Airport to create more office space for airlines. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- Map of tenant relocations.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- March 26, 2013 – the Commission authorized the design of the Mezzanine Tenant Relocation project (C800560) at Seattle-Tacoma International Airport. That authorization was for \$335,000 of a total estimated project cost of \$1,750,000.