

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6e
Date of Meeting December 9, 2014

DATE: December 1, 2014
TO: Ted Fick, Chief Executive Officer
FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: South Satellite Interior Renovations project at Seattle-Tacoma International Airport (CIP C#800549)

Amount of This Request:	\$950,000	Source of Funds:	Airport Development Fund
Est. Total Project Cost:	\$5,167,000		
Est. State and Local Taxes:	\$325,000		
Net Proceeds to the Port:	\$0		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to advertise for and award a contract to construct Phase One of the South Satellite Interior Renovations project at Seattle-Tacoma International Airport using a combination of a major contract and Port resources. This request is for an amount not to exceed \$950,000 of a total estimated project cost of \$5,167,000.

SYNOPSIS

This project will make interior renovations to the mezzanine and departure levels of the South Satellite. Phase One of this project includes:

- New carpet,
- New vending alcove,
- Removal of old unused signage,
- Consolidation of payphones,
- Replacement of water fountains with new dual water bottle filling stations and fountains, and
- New paint.

The project will return with a future request for authorization of Phase Two which includes new podiums and backstands, new wall panels, and new door portals.

This project was included in the 2014-2018 finance plan with a budget of \$18,900,000. After reviewing the initial scope, staff determined that this project could complete some scope items

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quickly to immediately improve customer experience while others were more appropriate to include in a future comprehensive renovation of the South Satellite. Thus the scope and budget for this project was reduced to a total project cost of \$5,167,000. The project is included in the 2015 – 2019 capital budget and plan of finance with a budget of \$3,358,000. Earlier this year, ten of the eleven carriers that operate at the South Satellite sent letters to the Airport Managing Director requesting modifications and upgrades to the terminal to enhance the overall customer experience. In November of 2014, the airlines approved this project through a majority-in-interest vote.

BACKGROUND

The South Satellite, with the exception of the west end, was last updated in the 1990s, when new carpet was installed. Many of the original 1970s finishes remain today. Passengers flying through or departing from the South Satellite, the international gateway to and from the Puget Sound region, should be provided with the experience expected from a major modern international airport.

The South Satellite was constructed at the same time as the North Satellite and is ultimately in need of renovation similar to what the NorthSTAR project is completing for the North Satellite. However, complete renovation of the South Satellite cannot take place until the new International Arrivals Facility is complete due to operational constraints in accommodating international flights. Staff reviewed potential near term interior improvements to the South Satellite. Certain improvements, like carpeting and casework replacement, could be completed relatively quickly and inexpensively when compared to more expensive and intrusive work like ceiling or lighting replacement. Since any of these improvements would be difficult to save during a complete renovation, a smaller targeted investment makes more sense now, with the larger, more costly improvements deferred until later.

PROJECT JUSTIFICATION AND DETAILS

The carpet in hold room areas is wearing badly over time and has ultimately become a “quilt-work” of poorly patched sections. The gate podium casework is outdated, does not allow light into the interior of the satellite and does not match the new gate standards established in 2013. The white wall panels were installed as part of the original build out in the early 1970s, and the pink wall panels on some interior public walls installed in the 1980s are old and outdated. The entrances to the loading bridges are original to the building and should be replaced with new doors with modern panic exit and security hardware.

Project Objectives

Improve the declining tenant and customer satisfaction and feedback related to the look and feel, of the departure experience in the South Satellite.

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Scope of Work

This project will make interior renovations to the mezzanine and departure levels of the South Satellite. These Phase One improvements include:

- New carpet,
- New vending alcove,
- Removal of old unused signage,
- Consolidation of payphones,
- Replacement of water fountains with new dual water bottle filling stations and fountains, and
- New paint.

All will be performed using Port forces and small works contracting; and remove and replace the carpet using a major works contract. The project will return with a future request for authorization of Phase Two which includes new podiums and backstands, new wall panels, and new door portals.

Completing this project in two phases will allow for work to be performed around peak travel seasons, allowing for a better traveling experience during construction. In order to complete the work between peak travel seasons, Phase One will have a limited scope with minimal design elements and be completed before the peak travel season. Phase Two will require a more extensive design and will be designed while Phase One is in construction, which will allow for longer lead times before beginning construction after the peak travel season.

Schedule

- Commission Authorization for Design August 2014
- Commission Authorization for Construction Phase One December 2014
- Issue Notice to Proceed Phase One February 2015
- Commission Authorization for Construction Phase Two July 2015
- Issue Notice to Proceed Phase Two November 2015
- Construction Complete April 2016

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$18,900,000	\$0	\$18,900,000
Budget Adjustment	-\$15,542,000	\$1,809,000	-\$13,733,000
Revised Budget	\$3,358,000	\$1,809,000	\$5,167,000
Previous Authorizations	\$631,000	\$340,000	\$971,000
Current request for authorization	\$700,000	\$250,000	\$950,000
Total Authorizations, including this request	\$1,331,000	\$590,000	\$1,921,000
Remaining budget to be authorized	\$2,027,000	\$1,219,000	\$3,246,000
Total Estimated Project Cost	\$3,358,000	\$1,809,000	\$5,167,000

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Project Cost Breakdown

	This Request	Total Project
Design Phase	\$0	\$921,000
Construction Phase	\$892,000	\$3,927,000
State & Local Taxes (estimated)	\$58,000	\$319,000
Total	\$950,000	\$5,167,000

Budget Status and Source of Funds

The South Satellite Interior Renovations project, CIP #C800549 is included in the 2014-2018 capital budget and plan of finance with a budget of \$18,900,000. The capital budget decrease of \$15,542,000 was transferred to the Aeronautical Allowance CIP #C800404 resulting in no net change to the Airport capital budget. The capital budget of \$3,358,000 was included in the 2015 – 2019 capital budget and plan of finance. The expense budget increase (reflecting scope items that do not qualify as capital improvements) has been included in the approved 2015 operating budget. The funding source for both capital and operating costs will be the Airport Development Fund (ADF).

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal and Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$5,167,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	\$0.07 in 2015 relating to expense elements. \$0.03 beginning in 2017 for capital costs.

Lifecycle Cost and Savings

The existing conditions in the South Satellite have been in place for 20 to 40 years. The life expectancy for these systems and finishes has been exceeded, in some cases drastically. The new systems and finishes are not expected to have significant repair costs in the first 5-7 years. Preventative maintenance costs will be consistent with the current maintenance program.

STRATEGIES AND OBJECTIVES

This project supports the Century Agenda strategy of “advancing this region as a leading tourism destination and business gateway” by providing targeted improvement, to the departure level of the South Satellite.

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TRIPLE BOTTOM LINE

Economic Development

This project represents an investment in our current facilities and supports the long-term vitality of the airport, airlines and Airport tenant. This project also provides an opportunity to help meet the region's air transportation needs at Seattle-Tacoma International Airport for the next 25 years and encourage the cost-effective expansion of domestic and international passenger and cargo service through providing a pleasing experience for passengers.

Environmental Responsibility

There are a variety of sustainability opportunities to promote the Airport's environmental responsibility. These include the use of locally sourced, recycled, re-used/refurbished materials for podiums and backstands, carpet tiles, wall panel upgrades, and the use of low or no-VOC paints.

Community Benefits

Updating the South Satellite will improve the experience of millions of international and domestic visitors that travel through the facility each year. The program manager will collaborate with the Office of Social Responsibility (OSR) to maximize small business participation.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Make no improvement to the South Satellite concourse or mezzanine levels. The South Satellite will keep the current, outdated appearance and the airlines will continue to operate in a facility with a 40-year-old countenance. This is not the recommended alternative.

Alternative 2) – Wait and make these changes to the terminal as part of a larger project to fully renovate the South Satellite, which will be further defined in the future, that would address lighting, heating ventilation and air conditioning, structural and seismic upgrades. This alternative would mean that service levels for the international carriers and passengers would deteriorate to a level that is unacceptable. This is not the recommended alternative.

Alternative 3) – Make the renovations to the concourse levels and mezzanine levels, which will improve the overall look and feel of the terminal and add to the overall passenger experience while meeting the needs of our airline customer. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 5, 2014 – The Commission authorized design funds for the South Satellite Interior Renovations project.