ITEM NO: 6b_Supp
MEETING DATE: June 28, 2016

Request for Additional Budget for Airport Dining and Retail (ADR) Program Redevelopment

ADR Infrastructure Modifications (CIP#C800638)

Port of Seattle®

Issues Impacting ADR Construction Timelines

- Commission approved original ADR capital request in October 2014. Construction anticipated to begin in May 2015
- What has happened since:
  - ADR Personnel Transitions
  - Washington State Supreme Court ruling on City of SeaTac Proposition 1
  - Revisions to ADR Lease Group packaging
- Result is that construction began in May 2016

ADR capital construction has incurred a one year delay from the original schedule

Original Budget and Proposed Changes

Description	Original Budget	Authorization Request	Revised Budget
Construction Costs	$ 9,046,000		$ 9,046,000
PMG and Other Soft Costs	$ 4,075,000		$ 4,075,000
Other Project Costs	$ 832,000	$ -	$ 832,000
Infrastructure Validation		$ 2,100,000	$ 2,100,000
Level of Service Changes		$ 1,300,000	$ 1,300,000
"Program" Soft Costs		$ 3,925,000	$ 3,925,000
Total Construction Cost	***$ 13,953,000***	***$ 7,325,000***	***$ 21,278,000***

Requested Increase	
Budget Increase	$ 5,825,000
Budget Transfer	$ 1,500,000
Total Authorization	***$ 7,325,000***

Schedule delays and scope changes have driven project costs up.

ADR Scope Changes

- Infrastructure Validation and Facility Constraints ($2,100,000)
  - Program Redevelopment Infrastructure Validation
    - Initial scope assumptions were inadequate
      - Cut and cap
      - Re-use of existing redundant utilities
    - Detailed Program validation confirmed existing and new utility requirements
    - Delay in schedule added escalation costs
  - Facility Constraint Driven Scope
    - Reconfiguring of Concourse “C” bar due to costly grease interceptor (CC-13)
    - Concourse D location expansion into TSA area requires raising the floor for two locations (CT-6 and CT-27)

Program validation and schedule delays have impacted the budget.

ADR Scope Changes

- Scope changes due to level of service responses to increased passenger activity ($1,300,000)
  - Relocating Children's Play Area on Concourse D to create more leasable ADR space (Created CD-8 available)
  - Adding infrastructure to two new food and beverage locations to address food and beverage shortfall on Concourse D (CD-8/CT-27)
  - Adding new location for Ken's Baggage buildout to facilitate a seamless turnover (BC-3A)

Scope has been added to respond to increased passenger levels.

ADR Soft Cost Increases

- Increasing Soft Cost and Consultant Support ($3,925,000)
  - Schedule delays
  - ADR infrastructure project is not a traditional construction “Project,” but more of a “Program”
  - Additional staff time to support increased scope
  - ADR staffing gaps
  - Additional design to support Level of Service and scope validation changes

Leasing delays and the prolonged nature of the “Program” have increased soft costs.

How Capital Work Fits Into Entire ADR Program

$21 Million: Cost for Port to provide infrastructure and redevelop the Program

$60-$65 Million: Cost for Tenants to design and build out their spaces

$10 million: Expense Projects for Port to support Tenant Design and Construction

Program $90-$95 Million

Soft cost increases should be considered in light of the full ADR program oversight.

ADR Program Benefits and Costs

- Despite increased spending, revised IRR/NPV of 12.3%/ $15.5 million is still strong.
  (Based on original IRR/NPV capital data. This IRR/NPV is on the conservative side considering the passenger growth the airport has seen).
- Creates level playing field for large and small businesses.
- Maintains a level of service for our customers.

ADR program still showing strong financial performance with increased costs.

Alternatives Comparison

Alternative	Budget Increase	Effect on ADR Job Creation	Effect on ADR Revenue	Comments
1 – Status Quo	Remains unchanged ($15.3 Million)	Delay in adding additional jobs the lease packages create	Revenues reduced by $6 Million to $64 Million	• Overall project length extended • High cost to tenants • Not a level playing field
2 – Add Infrastructure only	Increase by $2.9 Million ($18.2 Million)	Delay in adding additional jobs the lease packages create	Revenues reduced by $3 Million to $67 Million	Overall project length extended
3 – Add Infrastructure and Soft Costs	Increase by $5.9 Million ($21.2 Million)	No delay in additional jobs creation	Maximizes Revenues to $70 Million	Recommended Alternative

Alternatives Comparison