

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

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

**Item No.** 4h  
**Date of Meeting** July 12, 2016

**DATE:** July 5, 2016  
**TO:** Ted Fick, Chief Executive Officer  
**FROM:** Wayne Grotheer, Director, Aviation Project Management Group  
James Schone, Director, Aviation Business Development

**SUBJECT:** Central Terminal Mezzanine to Ticketing Stair Project (CIP #C800716)

<b>Amount of This Request:</b>	\$2,049,000	<b>Source of Funds:</b>	Airport Development Fund
<b>Est. Total Project Cost:</b>	\$2,560,000		
<b>Est. State and Local Taxes:</b>	\$125,000		

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to advertise for bids and execute a major construction contract for the Central Terminal Stairs project at Seattle-Tacoma International Airport for \$2,049,000 of a total estimated project cost of \$2,560,000.

**SYNOPSIS**

This project will build two stairways near the central checkpoint to provide egress capacity from the mezzanine level of the Airport in order to occupy portions of the building that cannot be used until fire life-safety issues are resolved. Gaining additional occupiable assembly and office space within the limited footprint terminal is valuable to both airlines and traveler services. The stairways and fire sprinklers increase safety and accessibility for airport users. This project was authorized for design in October 2015. Design is complete and the project is ready for construction so that the vacant spaces on the mezzanine will be usable.

**BACKGROUND**

The growth in operations and passengers at the Airport, and the related increase in support space needed by the Port's airline partners, has led to greater levels of occupancy on the mezzanine above the ticketing and checkpoint area. The occupancy levels have now reached a point where if the Port wishes to make use of any vacant space on the mezzanine level, egress stairways and fire sprinklers must be installed in the central area of the terminal building. There are approximately 10,000 square feet of office space on the mezzanine level that are now vacant.

The Airport main terminal building opened in the 1970s without a comprehensive fire sprinkler system. This met the provisions of the Uniform Building Code that was in force when it was designed and built. Today, the International Building Code (IBC) recognizes the benefits of a

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 2 of 7

building fire sprinkler system by allowing longer and narrower egress pathways for buildings that have them installed. In order for the mezzanine stairs to qualify as egress pathways for the full use of the mezzanine, fire sprinklers must be installed.

This project is located in a portion of the existing terminal building which is anticipated would not be affected by future decisions related to the Sustainable Airport Master Plan.

Upon project completion, lease revenue is anticipated at \$770,000 in 2017, increasing to an estimated \$1,594,000 in 2018.

### **PROJECT JUSTIFICATION AND DETAILS**

Airport staff is managing an increasingly scarce resource of available office space in the main terminal largely due to continued growth in demand from airlines operating at the Airport. When complete this project will make 10,000 square feet of currently un-leasable space usable.

It should be noted that in addition to providing sprinklers that will benefit the two stairs and their associated egress pathways, the fire sprinklers will benefit the Baggage Optimization project which will be able to use an egress pathway nearby once the fire sprinklers are installed.

#### ***Project Objectives***

This project will provide additional egress capacity in the form of two stairs from the mezzanine level of the Airport.

This project will provide fire sprinklers to assist in meeting building code requirements for the area.

Stairs will improve public access to services on the mezzanine including the USO, Lost and Found and the Airport Credential Center.

Construction will impact airport operations near the central checkpoint. Steps taken to mitigate this impact include:

- Limiting construction to evening-overnight hours.
- Closing Checkpoint 3 during low passenger times in winter and moving operations to Checkpoints 2 and 5 during construction hours only. Checkpoint 3 will be operational during the day.
- Using personnel lifts rather than scaffolding for construction near the checkpoint queuing areas will reduce the impact to the queuing during the day.

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

Construct two stairways from the mezzanine level of the Airport to the ticketing level at the central breezeway between the ticket lobby and the security checkpoint. The scope includes: way finding signage, spot abatement of regulated materials, and modifications to the lighting and fire sprinkler systems.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 3 of 7

### ***Schedule***

Issue Notice to Proceed  
Construction complete

4th Quarter 2016  
2nd Quarter 2017

## **FINANCIAL IMPLICATIONS**

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

	Capital	Expense	Total Project
Original Budget	\$1,250,000	\$0	\$1,250,000
Previous budget increase	\$967,000	\$343,000	\$1,310,000
Revised Budget	\$2,217,000	\$343,000	\$2,560,000
Previous Authorizations	\$511,000	\$0	\$511,000
Current request for authorization	\$1,706,000	\$343,000	\$2,049,000
Total Authorizations, including this request	\$2,217,000	\$343,000	\$2,560,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$2,217,000	\$343,000	\$2,560,000

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

	This Request	Total Project
Design Phase	\$0	\$511,000
Construction Phase	\$1,924,000	\$1,924,000
Sales Tax	\$125,000	\$125,000
Total	\$2,049,000	\$2,560,000

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

This project (CIP #C800716) was included in the 2016 – 2020 capital budget and plan of finance as a business plan prospective project with a budget of \$1.25 million. The budget increase was due to the need for additional fire sprinklers (which were previously not in scope and are a requirement of the building code) and regulated materials abatement. The capital budget increase was transferred from the aeronautical allowance CIP (C800404) so that there was no change to the overall capital budget. The funding source will be the Airport Development Fund.

The expense portion of the project cost includes \$343,000 estimate for asbestos removal. This was included in the 2016 operating budget.

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

<b>CIP Category</b>	Renewal and Enhancement
<b>Project Type</b>	Infrastructure upgrades
<b>Risk adjusted discount rate</b>	8%
<b>Key risk factors</b>	Demand for additional terminal space
<b>Project cost for analysis</b>	\$2,560,000
<b>Business Unit (BU)</b>	Terminal

**COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 4 of 7

<b>Effect on business performance</b>	Although there are no current commitments to lease this space, the financial analysis estimates lease payments to begin in 2017 at \$770,750 for 5,000 square feet, and increase to \$1,593,850 for 10,000 square feet in 2018, and then subject to adjustment along with other terminal rental rates thereafter.
<b>IRR/NPV</b>	<p>5-year analysis (assumes leases with 4 tenants): NPV: \$2.9 million IRR: 34.0% Payback: 2 years</p> <p>30-year analysis (based on probable asset life, continued split of 5,000 square feet aeronautical, 5,000 square feet non-aeronautical tenant mix): NPV: \$17.8 million IRR: 46.2%</p> <p>Assumptions:</p> <ul style="list-style-type: none"><li>-Aviation Finance and Budget projects a lease rate of \$171.45 per square foot per year in 2017, which increases to \$235.64 in 2024 and then is held flat thereafter for aeronautical space</li><li>- Aviation Finance and Budget projects a lease rate of \$136.85 per square foot per year in 2017, which increases to \$190.11 in 2024 and then is held flat thereafter for non-aeronautical space</li><li>-2,500 square feet leased to an aeronautical tenant and 2,500 square feet leased to a non-aeronautical tenant for each of 2017 and 2018.</li><li>-Each build-out incurs approximately \$189,216 of costs that are eligible for reimbursement under the Port's AV-2 Tenant Reimbursement Policy (though funds for these potential reimbursements are not part of this authorization request).</li></ul>

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 5 of 7

	Looking at the airport impacts after accounting for the lease payments through the airline agreement, 77% of the capital costs are recovered through airline rates and charges. The non-aeronautical business is allocated 23% of the capital costs. Looking at the net impact on the non-aeronautical side, the capital investment is approximately \$510,000 (23%), and the potential annual lease revenue exceeds \$685,000 per year, for a short payback and a very favorable NPV.
<b>CPE Impact</b>	\$.03 in 2016 due to O&M costs, then \$.01 annually beginning in 2017.

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

Aviation Maintenance may experience some additional operating and maintenance costs related to the stairs though they are not anticipated to be significant and should be able to be absorbed with current resources. There will be no impact as a result of the additional scope related to adding fire sprinklers.

## **STRATEGIES AND OBJECTIVES**

This project supports the Port's Century Agenda objective of meeting the region's air transportation needs at the Airport for the next 25 years and encouraging the cost-effective expansion of domestic and international passenger and cargo service. The Airport must meet the business needs of tenants by providing office space to support their operations.

This project supports the Aviation Division's Strategy of operating a world class international airport by ensuring safe egress routes for those using the mezzanine facilities and meeting the needs of our tenants and the region's economy.

This project is collaborating with the Economic Development Division's Small Business Team to maximize small business participation throughout construction.

## **ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Status Quo – Do not proceed with the CT Stairs project.

**Cost Implications:** \$350,000. The project costs expended during design would be expensed.

### **Pros:**

- (1) No construction activity is required. Not performing this work eliminates any associated operational impacts during construction.
- (2) Not performing this work would eliminate the requirement to go through major works contract procurement.
- (3) Less capital expenditure will be required, freeing up capital funds for other projects.

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 6 of 7

### Cons:

- (1) Would not solve egress capacity limits in the central main terminal space or incrementally improve fire sprinkler coverage.
- (2) Would still leave unusable/un-leasable space in the valuable central area of the Terminal.
- (3) Would not provide added easy access benefit for passenger use for pre-security access to Lost and Found, Credential Center, and USO on the mezzanine level.

This is not the recommended alternative.

**Alternative 2** – Delay the project for one year.

Cost Implications: \$770,000 in lost revenue for 2017 (rough order of magnitude)

### Pros:

- (1) Preserves the full open architecture of the Airport's Central Checkpoint for an additional year.
- (2) Has no effect on queuing during construction.

### Cons:

- (1) Does not provide needed square footage for additional tenant office needs for an additional year.
- (2) Steel costs could escalate increasing the cost of this project.

This is not the recommended alternative.

**Alternative 3** – Proceed with the project as designed.

Cost Implications: \$2,560,000

### Pros:

- (1) Would solve egress capacity limits and incrementally improve fire sprinkler coverage in the central main terminal.
- (2) Would provide added passenger and employee customer service benefit through improved vertical access to Lost and Found, Credential Center, USO, and Central Auditorium.
- (3) Provides egress capacity for other projects, such as the Baggage Optimization project.

### Cons:

- (1) Slightly lessens the full open architecture of the central breezeway.
- (2) Requires the relocation of the movable (portable) art display cases.

**This is the recommended alternative.**

## **COMMISSION AGENDA**

Ted Fick, Chief Executive Officer

July 5, 2016

Page 7 of 7

## **ATTACHMENTS TO THIS REQUEST**

- Exhibit A: Floor plan illustrating new stairs and adjacent space utilization as well as an artist rendering of the staircases.

## **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

- October 27, 2015 – Authorization to prepare design and construction bid documents.