



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 6e

**ACTION ITEM**

**Date of Meeting** October 24, 2017

**DATE:** October 13, 2017

**TO:** Dave Soike, Interim Executive Director

**FROM:** Ralph Graves, Senior Director, Capital Development  
Jeffrey Brown, Director Aviation Facilities and Capital Programs

**SUBJECT:** Capital Development Department (CDD), and Central Procurement Office (CPO) Major Works Department move to the SeaTac Office Center (CIP #C800982)

<b>Total Authorization Request:</b>	\$9,057,000
<b>Estimated Project Cost:</b>	\$2,145,000
<b>Estimated Lease Cost:</b>	\$6,829,000
<b>Estimated Expense Cost:</b>	\$83,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to (1) execute a lease amendment for office space for the Capital Development Department (CDD) and Central Procurement Office (CPO) Major Works Department to move into the SeaTac Office Center (STOC) for \$6,829,000 and (2) Execute contracts to purchase office furniture, and design and install communications infrastructure to support business needs for \$2,228,000 (CIP #C800982).

**EXECUTIVE SUMMARY**

This project will lease additional office space in the STOC where the International Arrivals Facility (IAF) project team currently holds a lease. This additional office space is needed to accommodate growth in both the Aviation Division and CDD because there is no additional capacity in the Airport Office Building (AOB) to accommodate anticipated staff growth.

Beyond the need to accommodate growth, the additional leased space allows CDD and related departments to reorganize staff areas by project team versus traditional departmental lines. This reorganization of staff will facilitate greater efficiency in project delivery and communication for the capital program that continues to expand at Sea-Tac. The action requested includes costs for communications design and construction, office furniture, and relocation of staff to support business needs.

Meeting Date: October 24, 2017

**JUSTIFICATION**

The AOB is at capacity with the existing furniture and footprint and cannot accommodate projected staffing growth. In early 2017 an office space study was conducted for the Aviation Division to determine how to accommodate 5-year projected staffing growth in the AOB. Based on the study, the best option to meet the needs of the Aviation Division’s projected growth is to move a large group of people out of the building and into a leased space.

Moving CDD and CPO would provide the opportunity to co-locate project teams. Project teams will occupy space in STOC as well as the off-site offices currently being used by these work groups including the West Side Office, Water Tower Office, and Logistics Office. Grouping project teams allows them to work more collaboratively and efficiently.

**SCOPE OF AGREEMENT**

Landlord: STOC LLC

Tenant: Port of Seattle

Term/Effective Date: A term of seventy two (72) months to commence on May 1, 2018, or upon completion of tenant improvements and receipt of a Certificate of Occupancy.

Use: General Office and Project Management Administration

Area: Expansion premises is 24,424 rentable square feet (RSF) of the fourth floor of Building III at the SeaTac Office Center (17900 International Blvd. S, Seattle, WA, 98188). The original lease for the IAF Project is 22,302 RSF and the total combined premises are now 46,726 RSF.

Rental: Rental rate scheduled is based on a triple net lease.

Months 01 - 12 @ \$16.12/RSF/yr. = \$32,809.57/month

Months 13 - 24 @ \$16.62/RSF/yr. = \$64,715.51/month

Months 25 - 36 @ \$17.12/RSF/yr. = \$66,662.43/month

Months 37 - 48 @ \$17.62/RSF/yr. = \$68,609.34/month

Months 49 - 60 @ \$18.12/RSF/yr. = \$70,556.26/month

Months 61 - 72 @ \$18.62/RSF/yr. = \$72,503.18/month

Tenant Improvements: Landlord shall provide a tenant improvement allowance up to \$1,111,854.

Operating Expenses & Real Estate Tax Costs:

Meeting Date: October 24, 2017

Landlord currently estimates operating expenses at \$9.04 per RSF for a total annual cost of \$220,725. With an estimated increase of 2% per year, the total for six years of operating expenses is \$2,410,802. The total estimated lease value includes operating expenses.

Security Deposit: Not required.

Parking: Two hundred thirty four stalls are included in the lease rate, five stalls provided per 1,000 RSF leased.

**Scope of Work**

Capital

- (1) Design and install communications infrastructure in the STOC
- (2) Purchase and install furniture in STOC

Expense

- (1) Use Port Engineering Design staff to design minor modifications to the West Side Office and Logistics Office, including communications infrastructure
- (2) Purchase new and use existing furniture to make modifications to the West Side Office and the Logistics Office
- (3) Use Port Construction Services and Maintenance to construct modifications and reconfigure office furniture in the West Side and Logistics Offices
- (4) Physical Relocation

**Schedule**

Commission authorization	2017 Fourth Quarter
Design start	2017 Fourth Quarter
Construction start	2018 First Quarter
In-use date	2018 Second Quarter

**Cost Breakdown**

	This Request	Total Project
<b>Lease Amendment</b>	<b>\$6,829,000</b>	<b>\$6,829,000</b>
Capital		
• Design	\$272,000	\$272,000
• Furniture and Communications Infrastructure	\$1,873,000	\$1,873,000
<b>Capital Total</b>	<b>\$2,145,000</b>	<b>\$2,145,000</b>
Expense		
• Design	\$17,000	\$17,000
• Furniture ,Communications and modifications to West Side Office and Logistics Offices	\$39,000	\$39,000

Meeting Date: October 24, 2017

• Relocation fees	\$27,000	\$27,000
<b>Expense Total</b>	<b>\$83,000</b>	<b>\$83,000</b>
<b>Total</b>	<b>\$9,057,000</b>	<b>\$9,057,000</b>

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1 – Densify AOB**

Cost Implications: \$12,021,000

Pros:

- (1) All current departments within the AOB stay in the AOB
- (2) Provides room for 2-3 years of growth

Cons:

- (1) Each floor would need to be vacated for 1-2 months during construction
- (2) Facilities & Infrastructure Library is eliminated and the contents are redistributed into open areas and consolidated
- (3) New cubicle and conference room furniture will be required
- (4) All costs would occur in one year
- (5) Based on information received from the Aviation staffing study conducted subsequent to the AOB office space study, this option is not viable to accommodate 5-year growth.

This is not the recommended alternative.

**Alternative 2 – Relocate Capital Development Departments located at the AOB and the Central Procurement Office – Major Works Department located at the Logistics Office to the STOC and other airport area locations outside the AOB**

Cost Implications: \$2,228,000 Capital and Expense, \$6,829,000 Lease

Pros:

- (1) Provides the opportunity to collocate project teams at STOC, Water Tower, Westside and Logistics office locations
- (2) CPO – Major Construction Department will be collocated with their major customer, CDD
- (3) Can be implemented in 2018 and should meet the need for space in the AOB
- (4) Provides more reasonable phasing for relocations within the AOB
- (5) Costs spread over 6 years

Cons:

- (1) Added travel time to and from Airport and between office locations
- (2) CDD staff will be spread throughout more locations than at present

***This is the recommended alternative.***

