

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

**COMMISSION AGENDA**

**Item No.** \_\_\_\_\_ 8b

**Date of Meeting** \_\_\_\_\_ February 24, 2009

**DATE:** February 6, 2009

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** James Schone, Director Aviation Business Development  
Robert F. Riley, Director, Aviation Capital Improvement Program  
Richard Ottele, General Manager, Aviation Facilities and Infrastructure

**SUBJECT:** Request authorization to construct the Second Floor Heating, Ventilation, and Air-Conditioning Upgrades Project at Seattle-Tacoma International Airport at an estimated project cost of \$1,497,000.

**ACTION REQUESTED:**

Request Port Commission authorization for construction and approval to advertise for construction bids for the Second Floor Heating, Ventilation and Air-conditioning (HVAC) Upgrades project at Seattle-Tacoma International Airport (Airport) in the amount of \$1,282,350 for a new estimated total project cost of \$1,497,000.

**SYNOPSIS**

This memorandum requests authorization for construction and the approval to advertise for construction bids for the Second Floor HVAC Upgrades project. This project provides a new HVAC system to the north side of the second floor Main Terminal Central Administration Building and the concessions located directly below on the ticketing level. The new air supply for the HVAC system is provided from an air handler located in the Main Terminal that has capacity to accommodate the subject areas. The provision of the new air supply will allow HMS Host (Host) to proceed with the construction of its new offices on the second floor. The Commission previously authorized \$214,650 to complete design on March 25, 2008. This authorization for construction will increase the project authorization by \$1,282,350 for a new estimated total project cost of \$1,497,000.

**BACKGROUND**

The second floor of the Main Terminal Administration Building and the concession spaces located immediately below in the central Main Terminal have an insufficient air supply to their HVAC systems to support existing and planned occupancies and uses. The insufficient air supply directly impacts the existing Host offices on the north side of the second floor as well as the new space Host plans to relocate to also on the second floor (see Exhibit No. 1). Host's

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decision to move was to have more suitable office space regarding overall condition and utilization, and this project will provide adequate air supply. Likewise, the existing and future occupancy of concessions space located directly below on the ticketing level will receive improved air supply (see Exhibit No. 2).

Following completion of the Central Terminal Expansion project, various improvements were planned to the second floor of the 1949-vintage Administration Building including extending utilities for the build-out by Host of its new offices. The original intent was to provide HVAC to the space from excess capacity in the Central Terminal HVAC system. During the review process for Host's new office space improvements, it became apparent that the Central Terminal HVAC did not have the extra capacity and that a new source of air supply would be needed to adequately serve the second floor of the Administration Building as well as the concession spaces located directly below on the ticketing level.

The Commission authorized \$214,650 on March 25, 2008 to complete design of a new HVAC air supply to the north side of the second floor of the Administration Building and the concessions located directly below on the ticketing level through the construction of a new HVAC system from an air handler located atop the Main Terminal that has the capacity to accommodate the subject areas. The total estimated project cost at that time was \$1,360,000. The project design is now complete. The Commission is being requested to approve the advertisement for construction bids and to authorize funding for construction at a new estimated total project amount of \$1,497,000 inclusive of the previously approved amount.

### **PROJECT DESCRIPTION/SCOPE OF WORK**

#### ***Project Statement:***

Construction of a new HVAC air supply duct system from a Main Terminal mechanical penthouse air handler to the north side of the second floor of the Main Terminal Administration Building which includes the new Host offices and the concession areas located immediately below on the ticketing level.

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

- Provide sufficient HVAC for the north side of the second floor including the planned relocation of the Host offices (see Exhibit No.1).
- Provide sufficient HVAC for the pre-security Starbucks (CT-26), future full-service banking facility (CT-25), and a future post-security concession space (CT-28) (see Exhibit No.2).
- Enhance ability to lease concessions space and generate non-airline revenue.
- Ensure no impact on the air supply to the existing police department offices supplied by the same air handler.

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

Construct a new HVAC air supply duct system to the north side of the second floor to accommodate the new Host office space, existing Host cash room, and existing janitorial office space. The project will also utilize the new HVAC duct system to supply the ticketing level concession spaces located immediately below. The current scope of work has deleted the installation of a new main duct in the area Host will vacate when it moves to its new offices due to Host deferring the construction of its new offices into 2010. Removing this work from the project avoids delaying the entire project until Host can start construction or severely impacting Host if the new duct is installed while Host still occupies its existing office space. This work will need to be separately funded, authorized, and accomplished when the vacated Host space is leased.

This requested action authorizes construction and the approval to advertise for construction bids.

## **STRATEGIC OBJECTIVES**

This project supports the Port strategy to “Ensure Airport and Seaport Vitality” through upgrading spaces to leasable condition which will support the creation of new business opportunities and enhancing product and service offerings for the traveling public, and increasing non-aeronautical revenue.

## **FINANCIAL IMPLICATIONS**

### **Budget/Authorization Summary**

Original Budget	\$1,360,000
Budget Increase	\$137,000
Revised Budget	\$1,497,000
Previous Authorizations this CIP	\$214,650
Current request for authorization	\$1,282,350
Total Authorizations, including this request	\$1,497,000
Remaining budget to be authorized	\$0

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### **Project Cost Breakdown**

Construction costs	\$1,050,000
Sales tax	\$93,000
Outside professional services	\$151,000
Aviation PMG and other soft costs	\$203,000
Total	\$1,497,000

The total estimated project cost at the start of design was \$1,360,000. Now at the completion of design, the following items reflect changes that have increased the estimate by \$210,000 since the original concepts for the project were developed:

1. Elevated versus at grade/rooftop routing of the supply/return air ducts on the Main Terminal roof to eliminate obstructions for rooftop maintenance/access;
2. Modifications to the air handler system to maximize air flow capacity and efficiency for the existing and future projects; and
3. Installation of a temporary duct from an adjacent air handler to prevent disruption of HVAC service to the police department offices on the third floor during construction.

There is one project scope reduction of \$73,000. Host has requested to delay the build-out and occupancy of its new office space until 2010. Consequently, the HVAC work included in this project for Host's current office space cannot be executed without major disruptions or delaying the Port work for an undetermined period of time. This work will be deleted from the project. When the vacated Host space is leased, the work will be reauthorized and accomplished.

Therefore, the net estimated project cost increase is \$137,000.

### **Source of Funds**

This project is included in the 2009-2013 capital budget and plan of finance as a business plan prospective project under CIP C800249. Funding will be provided by the Airport Development Fund.

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### **Financial Analysis Summary**

<b>CIP Category</b>	Revenue/Enhancement
<b>Project Type</b>	Terminal Infrastructure
<b>Risk adjusted Discount rate</b>	N/A
<b>Key risk factors</b>	Unanticipated increased construction costs due to market conditions
<b>Project cost for analysis</b>	\$1,497,000
<b>Business Unit (BU)</b>	Aviation Business Development and Terminal Infrastructure
<b>Effect on business performance</b>	NOI after depreciation will increase as 80% of capital costs will be recovered through terminal rents. In addition, the lease of the concession spaces will generate non-airline revenue.
<b>IRR/NPV</b>	N/A
<b>CPE Impact</b>	CPE will increase by \$0.01 in 2010; however, no change compared to business plan forecast since this project was included .

### **ECONOMIC IMPACTS**

This project will support the use of limited terminal building space and allow for the lease of additional concession spaces not currently in a condition for occupancy.

### **ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS**

No impact to the environment is anticipated as a result of this project. The new HVAC system will utilize existing capacity of a current air handler unit and will improve the indoor air quality to existing and future office space and concessions.

### **TRIPLE BOTTOM LINE SUMMARY**

This project will fulfill the Port's commitment to Host for acceptable office space, support new economic opportunities by enhancing the concession program for the benefit of travelers, and potentially generate additional non-airline revenue.

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## **PROJECT SCHEDULE**

- |                         |               |
|-------------------------|---------------|
| • Bid Advertisement     | March 2009    |
| • Contract Award        | June 2009     |
| • Construction Start    | August 2009   |
| • Construction Complete | February 2010 |

## **PREVIOUS COMMISSION ACTION**

The Commission authorized \$214,650 on March 25, 2008 (Item 8c) to complete design of a new HVAC air supply to the north side of the second floor of the Administration Building and the concessions located directly below on the ticketing level for a total estimated project cost of \$1,360,000.