

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6b

Date of Meeting January 25, 2011

DATE: January 18, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director Airport Operations
Wayne Grotheer, Director, Aviation Capital Improvement Program

SUBJECT: Concourse D Common Use Expansion Project (C800455)

Amount of This Request: \$4,250,000

Source of Funds: Airport Development
Fund and/or existing 2010 bond proceeds

State and Local Taxes Paid: \$184,000

Jobs Created: 31

Total Project Cost: \$4,250,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) move forward with completing design of the Concourse D Common Use Expansion project at Seattle-Tacoma International Airport as outlined in this memorandum; (2) advertise and execute a major construction contract; (3) execute contracts to purchase seating and passenger processing equipment; (4) execute and/or amend software and maintenance contracts for the Concourse D Common Use Expansion project; and (5) and utilize Port Crews for abatement and other work. The total amount of this request is \$4,250,000. The total projected program cost is also \$4,250,000. This request seeks a single Commission authorization to move forward with design, advertisement and execution of a major construction contract.

SYNOPSIS:

This project is the beginning phase of a comprehensive reallocation of air carrier operations that will take place at the Airport over the next two years. The air carriers are pursuing an aggressive schedule for their reallocation project and have asked that we complete conversion of Concourse D to common use by the end of 2011, thus driving the need to expedite the project and request a single authorization now for design, advertisement and construction.

The Airport has installed common use passenger processing equipment at several locations that can be used interchangeably by participating airlines as a flexibility and cost-savings initiative. Several different airlines may share these common-use facilities, thereby deferring costly major

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capital facility development. This affords the Airport the ability to accommodate more passengers and support future enplanement growth within the current terminal footprint.

This project develops Concourse D into a common-use capable environment with the latest common use processing equipment and technology. This project also updates gate and boarding podiums to a new Airport standard, installs new carpet, new wall coverings and task lighting, provides Airport standard gate seating and relocates gate podiums locations closer to the passenger loading bridge doors.

This authorization will provide for design by outside professional services under an IDIQ contract, allow the Port to advertise and execute a major construction contract, assuming there are no bid irregularities, authorize use of Port Crews to perform work on the project; and purchase seating and selected passenger processing equipment as a single authorization.

BACKGROUND:

In the current Signatory Lease and Operating Agreement (SLOA), there is provision for a One-Time airline Reallocation allowing the Airport to reassign airline operations areas for better utilization of the existing facility. The Airport has issued a notice of intent to exercise the One-Time Reallocation to support airline consolidation interests to maximize operational efficiency, and the Port and airlines' mutual interest in deferring significant capital expansion costs.

The reallocation calls for a number of gate reassignments including the conversion of Concourse D from Alaska Airlines proprietary gates to a concourse that can accommodate various other carriers. Converting Concourse D to a common use environment will satisfy the short-term as well as the long-term needs for gate flexibility. Installation of common use passenger processing equipment on Concourse D is a critical first step in supporting the movements of the other airlines and gaining operational efficiency. As such, there is concerted emphasis on expediting this project. This request seeks a single Commission approval action for authorization for the project, so we can move forward with design, and advertisement and execution of major construction contract because we need to expedite completion of this project ahead of the relocation of new airlines to this concourse.

PROJECT JUSTIFICATION:

Project Objectives:

- Minimize the air carriers' costs as they relocate within the existing terminal facilities.
- Allow air carriers to grow and shrink in the marketplace without reinvesting in facilities.
- Enable the Airport to gain secondary user rights on gates with common use equipment. This provides more flexibility to maximize the use of each gate and prevents new facility investments every time a flight is added.
- Optimize location of check in and boarding equipment so that airlines can spend fewer resources to manage each departure.
- Increase passenger flow and improve agent sightlines.

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PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The scope of work for this project includes installation of up to eleven (11) gates of common use passenger processing equipment and infrastructure, new casework, carpet, wall coverings, seating, task lights and furnishings, and other associated work on Concourse D. Each gate will receive casework and equipment for two check-in positions plus one position at the boarding door.

Schedule:

Begin Design	1 st Qtr 2011
Advertise Construction Contract	2 nd Qtr 2011
Begin Construction	3 rd Qtr 2011
Project Completion	1 st Qtr 2012

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$4,800,000
Budget Decrease	\$550,000
Revised Budget	\$4,250,000
Previous Authorizations	N/A
Current request for authorization	\$4,250,000
Total Authorizations, including this request	\$4,250,000
Remaining budget to be authorized	\$0

Budget has decreased as project scope developed.

Project Cost Breakdown:

	<u>Total Project</u>
Construction Costs	\$2,006,000
Port furnished equipment and installation	\$1,089,000
Sales tax	\$184,000
Outside professional services	\$245,000
Aviation PMG and other soft costs	\$726,000
Total	\$4,250,000

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Budget Status and Source of Funds:

This project is included in the 2011-2015 capital budget and plan of finance as a business plan prospective project, CIP # C800455. The funding source will be the Airport Development Fund and/or existing 2010 bond proceeds.

Financial Analysis and Summary:

CIP Category	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$4,250,000
Business Unit (BU)	Terminal
Effect on business performance	NOI will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.03 by 2014, but no change compared to business plan forecast as this project was included.

Lifecycle Cost and Savings:

Port Information & Communication Technology and Aviation Maintenance expenses are estimated to increase \$115,000 annually.

ENVIRONMENT AND SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. This common-use equipment will facilitate greater utilization of the Concourse D gates. This reduces the potential environmental impact of major new construction.

STRATEGIC OBJECTIVES:

The Concourse D Common Use Expansion project supports two of the Port's Strategies and Objectives, notably:

This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions" by providing the airlines with greater facility

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flexibility. Flexible gate operations will allow for greater utilization of the Airport's existing facilities.

Air carriers have continually vied for increased market share since the passage of the Airline Deregulation Act of 1978. This drives constant change in their facility requirements. Creating a flexible, common-use environment allows carriers and the Airport to spend fewer capital dollars recreating facilities as market conditions change. More carriers are able to share the same facilities without constant redesign and construction to customize the operating environment to their specific proprietary needs. This also increases total Airport through-put rates, in a finite sized terminal, as passenger volumes increase.

BUSINESS PLAN OBJECTIVES:

The Aeronautical business strategy aims to strike the right balance between meeting the needs of our airline customers and the traveling public through cost effective means. Minimizing new construction by making new operational improvements with technology helps to minimize costs to the airlines. The use of technology and thoughtful long-term planning are key elements of the strategy.

TRIPLE BOTTOM LINE SUMMARY:

This project standardizes Concourse D gate amenities and gives the airlines opportunities to operate their boarding and check-in operations more efficiently. The traveling community will benefit from an increased processing rate.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

1. The **recommended action** is to provide the latest technology common-use environment at all Concourse D gates to optimize flexibility and accommodate growth and irregular operations by all carriers that use these facilities.
2. The Alaska Airlines proprietary communications technology could remain as-is, resulting in a limited gating environment. This would not allow other carriers to use the gates, nor would they benefit from the flexibility of a new common use environment for growth and irregular operations. This is not recommended.
3. Provide new proprietary communications technology for each air carrier as they relocate to Concourse D gates. This would conflict with the Airport's initiative to optimize flexibility in gate operations and would require significant investment in construction costs as airlines grow or modify their operations. This is not recommended.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

PowerPoint presentation.

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PREVIOUS COMMISSION ACTION:

August 3, 2010, the Commission authorized a Design Services IDIQ for Airport Ticket Counter, Gate Podium and Other Passenger Processing Casework and Related Infrastructure at Seattle-Tacoma International Airport.

On August 11, 2009, the Commission was briefed regarding Common Use expansion at the Seattle-Tacoma International Airport.