

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5e

Date of Meeting December 6, 2011

DATE: November 28, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Airline Realignment Miscellaneous Building Improvements (CIP # C800475)

Amount of This Request: \$1,721,000

Source of Funds: Airport Development Fund
and revenue bonds

Total Project Cost: \$7,922,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to authorize design of the Miscellaneous Building Improvements – Airline Realignment (CIP # C800475) at Seattle-Tacoma International Airport (Airport). This authorization is for \$1,721,000 of a total project cost of \$7,922,000. The currently estimated capital cost of the airline realignment is \$38 – 42 million, and the overall estimated total capital and expense cost is \$58 – 72 million.

SYNOPSIS:

This authorization is necessary for the one-time realignment of air carrier operations that are expected to occur in 2012-2013. Concourse A is not currently equipped to service passenger loading onto the small regional aircraft of SkyWest Airlines (in partnership with United Airlines) that will be relocated to Gate A13/14, so a new exterior stairway and elevator will be needed at that location. Another carrier being relocated, Virgin America, will need a new reconfigured ticket counter, airline ticket office and baggage sortation system. Additional work in the project includes holdroom door modifications on Concourse D to accommodate new passenger loading bridges, and miscellaneous base building improvements to accommodate the various airline moves. Design work will be completed using a variety of new or existing contracts. For instance, the elevator and stairs design work will be performed by a consultant under the Vertical Conveyance Systems Upgrade Program Design Services IDIQ. The building improvements for the Virgin America relocation will be performed by a consultant under the Airline Realignment Tenant Improvements & Ticket Counter Design Services IDIQ.

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BACKGROUND:

With ongoing airline consolidation interests and a goal to maximize utilization of our existing facilities, the Airport has issued intent to exercise the One-Time Reallocation provision in the current Signatory Lease & Operating Agreement. The reallocation will require a number of modifications associated with the airlines who will relocate their gate and ticket counter operations, to effectively operate in their new locations. The realignment was driven by the merger of major carriers and the consolidation needs of Alaska Airlines necessitating the repositioning of aircraft gate holdroom, and ticketing positions throughout the Airport. The following airlines are relocating their gates and/or ticket counters from their existing to new locations under the provisions of the One-Time Reallocation: Frontier, Jet Blue, Air Tran, Virgin America, Hawaiian, American and United Airlines.

PROJECT JUSTIFICATION:

Project Objective:

Accommodate the airline relocations by providing miscellaneous building improvements throughout the airport terminal.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

This request includes the following elements:

- Holdroom Door Modifications for new passenger loading bridges at Gates D1 and D2.
- Base Building Improvements to relocate Virgin America ticket counter, airline ticket office (ATO) and baggage sortation system.
- Exterior passenger boarding stairs and elevator for ADA passengers at Gate A13/14 on Concourse A.

Design of these improvements will be done by Service Directives under a variety of new or existing contracts.

Schedule:

Design Start	January 2012
Design Complete	June 2012
Commission Authorization to Bid Work	June 2012
Construction Start	November 2012
Construction Complete Virgin America Ticket Counter	February 2013
Construction Complete Exterior Elevator/Stairs	February 2013

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FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

Original Budget	\$2,621,000
Budget Increase	\$5,301,000
Revised Budget	\$7,922,000
Previous Authorizations	\$0
Current request for authorization	\$1,721,000
Total Authorizations, including this request	\$1,721,000
Remaining budget to be authorized	\$6,201,000

Project Cost Breakdown:

This Request

Total Project

	<u>This Request</u>	<u>Total Project</u>
Construction Costs	\$0	\$5,144,000
Sales tax	\$0	\$ 478,000
Outside professional services	\$1,021,000	\$1,021,000
Aviation PMG and other soft costs	\$ 700,000	\$1,279,000
Total	\$1,721,000	\$7,922,000

Budget Status and Source of Funds:

This project is included in the 2012-2016 Capital Budget and Plan of Finance as a business plan prospective project within CIP # C800475, Miscellaneous Building Improvements-Airline Realignment. The budget increase was transferred from CIP # C800411, Terminal Realignment, resulting in no net change in the Aviation capital budget. The funding source will be the Airport Development Fund and existing and/or future revenue bonds. If future bonds are used, commercial paper will be used as an interim funding source.

Financial Analysis:

<i>CIP Category</i>	New/Enhancement
Project Type	Renewal & Replacement
Risk adjusted Discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$7,922,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	CPE will increase by \$.04 in 2013, but no change to business plan forecast as this project was included.

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Lifecycle Costs and Savings:

Annual Operating and Maintenance costs are not forecasted to appreciably change, and will be analyzed after the design is complete, and more specific information is available.

BUSINESS PLAN OBJECTIVES:

This project facilitates airline relocations to different gates and ticket counters. The project ensures Airport vitality by providing flexibility of the existing airport facilities and supports the airline realignment program, which benefits our passengers and airline partners.

ENVIRONMENT AND SUSTAINABILITY:

This project demonstrates environmental sustainability by improving existing Port assets and better utilizing existing resources. Realignment will allow more effective use of terminal facilities and this enables efficient operation for airlines at new locations. More sustainable operations of the airport are expected to generate lower life cycle costs of the needed investments.

STRATEGIC OBJECTIVES:

This project promotes the Port's strategic goals to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions." With numerous airlines relocating to other gate and ticket counter locations, there are building modifications that must be addressed throughout the terminal. The airline relocations and associated building improvements will yield a better balanced facility, increasing through-put rates in a finite sized terminal. This is one of a number of projects that are directly tied to the One-Time Reallocation (Airline Realignment) program, that are in concert with Alaska Air Group's Master Plan to consolidate their gate operations onto the North Satellite and Concourse C.

TRIPLE BOTTOM LINE SUMMARY:

This project will increase the long-term ability of the Airport to serve a growing number of both passengers and airlines. Long-term vitality of the Airport benefits the regional economy, the local environment, and nearby communities.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Do nothing. This alternative would preclude the realignment program as jointly recommended by the Airline Airport Affairs Committee and the Aviation Division. This alternative is not recommended.

Alternative 2: Design miscellaneous building improvements throughout the Airport as necessary to support the airline realignment program. Work includes new exterior passenger loading stairs

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to board planes at Gate A13/14, new elevator for passengers at Gate A13/14 new ticket counter, airline ticket office and baggage conveyor modifications for Virgin America, and door modifications at gate D1 and D2 loading bridges to level building thresholds. **This alternative is recommended.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Attachment A: November 22, 2011, oral prebrief visual aid slide and miscellaneous building improvements map.

PREVIOUS COMMISSION ACTION/BRIEFINGS:

On September 27, 2011, the Port Commission authorized execution of an IDIQ contract for Airline Realignment Tenant Improvements and Ticket Counter Design services totaling \$10,000,000.

On September 12, 2011, the Port Commission received a summary briefing on the Airport Realignment Program at Seattle-Tacoma International Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements-Airline Realignment project (C800472) at Seattle-Tacoma International Airport in the amount of \$499,000.

On June 14, 2011, the Port Commission authorized design of the Airport Signage-Airline Realignment project (C800474) at Seattle-Tacoma International Airport in the amount of \$238,000.

On March 1, 2011, the Port Commission authorized design and some construction of the Baggage Handling System (BHS) Improvements - C22 BHS connection to C1/C1-MK1 Replacement /TC3 Replacement (C800382) in the amount of \$1,731,000.

On February 22, 2011, the Port Commission was shown a summary listing of realignment projects and authorized Planning for Terminal Realignment in the amount of \$713,000.

On February 22, 2011, the Port Commission authorized design and some construction for the Passenger Loading Bridge Replacement Project - Airline Realignment (C800467) in the amount of \$6,700,000.

On January 25, 2011, the Port Commission was given an overview of the airline realignment and authorized design and construction of the Concourse D Common Use Expansion Project (C800455) in the amount of \$4,250,000. Commission was also briefed on the Airline Realignment Program as part of this item.

On September 28, 2010, the Port Commission was given a summary briefing of the upcoming 201 capital improvement plan that included the airline realignment program elements.

On June 8, 2010, the Port Commission authorized execution of an IDIQ contract for the Terminal Development Strategy Campus Planning Services IDIQ in the amount of \$1,300,000.