

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

**COMMISSION AGENDA**

**Item No.** 5b

**ACTION ITEM**

**Date of Meeting** July 10, 2012

**DATE:** June 27, 2012

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

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

**SUBJECT:** Airline Realignment Tenant Improvements for Seattle-Tacoma International Airport (Expense WP 104638)

**Amount of This Request:** \$4,243,400      **Source of Funds:** Airport Development Fund

**Est. State and Local Taxes:** \$300,400      **Est. Jobs Created:** 82

**Est. Total Project Cost:** \$23,285,000

**ACTION REQUESTED:**

Request Commission authorization for the Chief Executive Officer to: (1) advertise and execute a construction contract for the remodel of existing airline spaces, and (2) utilize Port crews for Airline Tenant Improvements – Airline Realignment (Expense) at Seattle – Tacoma International Airport. This authorization is for \$4,243,400 out of a total project budget of \$23,285,000.

**SYNOPSIS:**

This project is for the remodel of existing airline spaces consisting of airline ticket counters, and offices on the ticketing, mezzanine, baggage claim and ramp levels to support airline operations for five airlines as follows: American, Frontier, Hawaiian, JetBlue and Virgin America. The remodel work consists of selective demolition and construction of new interior spaces. The project will be performed through a major works construction contractor. Some site preparation including regulated materials removal and some early tenant relocations will be completed by Port crews and small works contracts. The costs associated with this requested action are included in the Aviation Division's 2012 operating budget.

This authorization is one of many that are necessary for the one-time realignment of air carrier operations that will take place at the Airport. The realignment was driven by the merger of major carriers and the consolidation needs of Alaska Air Group necessitating the repositioning of aircraft, gate holdrooms, and ticketing positions throughout the Airport.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 27, 2012

Page 2 of 6

A project labor agreement will be used on this project to help ensure the work is completed on schedule.

### **BACKGROUND:**

With ongoing airline consolidation and a goal to maximize utilization of our existing facilities, the Airport is exercising 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 for Alaska Air Group which necessitated the repositioning of gates, holdrooms, and ticketing positions throughout the Airport.

This authorization covers the construction of tenant improvements for the five airlines as described above. It does not include construction for United Airlines and Alaska Airlines, both of which have elected to proceed with design and construction of their improvements as tenant-performed projects. Design for both was authorized in December 2011, and at a future date, authorization will be sought for construction and execution of memoranda of understanding with both airlines.

### **PROJECT JUSTIFICATION:**

The work planned under this project represents a critical component in supporting the broader airline relocation effort while also providing improved operational efficiency throughout the airport.

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

- Support the timely relocation of airlines.
- Removal of regulated materials as required.
- Enable the Airport to gain more flexibility to maximize the use of Ticket Counters.
- Reduce the cost to airlines as they relocate within the existing terminal facilities.
- Provide 'like for like' facilities for airlines being relocated to new ticket counters.

### **PROJECT SCOPE OF WORK AND SCHEDULE:**

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

This project is for the selective demolition and construction of existing airline spaces consisting of airline ticket counters, offices on the ticketing, mezzanine, baggage claim and ramp levels to support airline operations for five airlines as follows: American, Frontier, Hawaiian, JetBlue and Virgin America. Work involves demolishing existing spaces, constructing new partitions, ceilings and flooring along with electrical, communication and mechanical infrastructure additions and modifications.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 27, 2012

Page 3 of 6

### ***Schedule:***

The project schedule is as follows:

Commission Authorization to Bid Work	July 2012
Start Construction	October 2012
Complete Construction and Move Airlines	January 2013

### **FINANCIAL IMPLICATIONS:**

<b><i>Budget/Authorization Summary:</i></b>	Capital	Expense	Total Project
Original Budget	\$0	\$23,285,000	\$23,285,000
Previous Authorizations	\$0	\$4,001,000	\$4,001,000
Current request for authorization	\$0	\$4,243,400	\$4,243,400
Total Authorizations, including this request	\$0	\$8,244,400	\$8,244,400
Remaining budget to be authorized	\$0	\$15,040,600	\$15,040,600
Total Estimated Project Cost	\$0	\$23,285,000	\$23,285,000

<b><i>Project Cost Breakdown:</i></b>	This Request	Total Project
Construction	\$3,370,100	\$3,370,100
Construction Management	\$505,500	\$505,500
Design		\$505,000
Project Management		\$441,700
Permitting	\$67,400	\$67,400
State & Local Taxes (estimated)	\$300,400	\$300,400
Sub-total	\$4,243,400	\$5,191,000
Future Projects*		\$18,094,000
Total	\$4,243,400	\$23,285,000

\* The "Future Projects" cost item includes cost breakdown items such as additional state and local taxes that have not been fully defined at this time.

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

This total of \$23.3 – 30 million of operating costs will be spread over four years: 2011 – 2014. The airport included \$8.2 million in the 2012 operating budget. The remaining costs will be incurred in 2013 and 2014. All of the costs will be incorporated into airline rates and charges and recovered through terminal rents. As such, the funding source will be the Airport Development Fund.

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

The annual operating and maintenance costs will decrease to maintain the new systems. With the renovation of the office spaces, older, inefficient mechanical systems that are about 40 years old will be replaced with more efficient systems, providing better air quality. The lighting system will also be upgraded with more energy-efficient light fixtures.

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 27, 2012

Page 4 of 6

### **STRATEGIC OBJECTIVES:**

This project promotes the Port's business objectives to "Ensure Airport and Seaport Vitality" and "Be a Catalyst for Regional Transportation Solutions by realigning airport users with airport resources and improving operational efficiencies throughout the airport.

### **ENVIRONMENTAL SUSTAINABILITY:**

Sustainable materials and practices have been incorporated into the project design; through the use of low volatile organic compound paint, sealants and adhesives, recycled content and recyclable carpet, and the reuse of existing materials and equipment. The design of the mechanical system meets the Washington State Energy Code and replaces 40-year-old fan terminal boxes, new Direct Digital Controls for the mechanical system and new larger supply air ductwork that reduces fan power uses, to name a few items.

### **BUSINESS PLAN OBJECTIVES:**

This project supports the Airport's strategic goal of operating a world-class international airport by anticipating and meeting the needs of our tenants and passengers and by managing our assets to minimize the long-term total cost of ownership by improving efficiencies.

### **TRIPLE BOTTOM LINE SUMMARY:**

This project is being performed at the request of our customer airlines. It will benefit the airport, the traveling public and the environment through consolidating airlines and efficient operations.

### **ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:**

Alternative 1 – Allow the tenant improvement work to be conducted by the airlines so that each airline independently performs their individual tenant improvements. This alternative would render design efforts to date redundant. Scope and schedule will be difficult to manage with the separate airlines. The schedule will be compromised. This is not the recommended alternative.

Alternate 2 – Do nothing. The airline realignment cannot be executed. This is not the recommended alternative.

Alternative 3 – Port proceeds with construction for airline ticket counters, offices, and gate areas as one construction bid package and a combination of small works packages and Port forces performed work. This alternative allows for flexibility to respond to unforeseen conditions and late tenant requests. **This is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

None.

### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:**

On April 24, 2012, the Port Commission authorized Airline Realignment Tenant Improvements in the amount of \$225,000 for regulated materials management.

On April 10, 2012, the Port Commission authorized additional budget to enter into a construction contract for airfield improvements including Exterior Gate Improvements – Airline Realignment (C800472).

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 27, 2012

Page 5 of 6

On March 27, 2012, the Port Commission authorized design and construction of gate B1 and B11 jet bridges as elements of Passenger Loading Bridge Replacement Project- Airline Realignment (C800467) in the amount of \$1,570,000.

On January 24, 2012, the Port Commission received a briefing on the Airport Realignment Program.

On January 24, 2012, the Port Commission authorized construction of Exterior Gate Improvements – Airline Realignment (C800472) in the amount of \$2,613,000.

On January 24, 2012, the Port Commission authorized design for CUSE at Ticket Counter/Gates & Seating (C800473) in the amount of \$484,000.

On December 6, 2011, the Port Commission authorized construction of Baggage Handling System (BHS) Improvements – C22 BHS Connection to C1/C1-MK1 Replacement (C800382) at the Airport in the amount of \$3,604,000.

On December 6, 2011, the Port Commission authorized design of the Miscellaneous Building Improvements – Airline Realignment (C800475) at the Airport in the amount of \$1,721,000.

On December 6, 2011, the Port Commission authorized design of the Airline Tenant Improvements – Airline Realignment (expense) at the Airport in the amount of \$3,776,000.

On November 22, 2011, the Port Commission was provided with a verbal preliminary briefing of December 6, 2011, items with a diagram.

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 the Airport.

On June 14, 2011, the Port Commission authorized design of the Exterior Gate Improvements – Airline Realignment project (C800472) at the 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 the 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 authorized the first phase of the Passenger Loading Bridge Replacement – Airline Realignment Project (C800467) including design, purchase, and execution to replace, refurbish and relocate PLBs at Concourse D.

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 January 25, 2011, the Port Commission was briefed on several projects that are part of the overall airline realignment program and which required a single Commission authorization in

## **COMMISSION AGENDA**

Tay Yoshitani, Chief Executive Officer

June 27, 2012

Page 6 of 6

order to meet the realignment schedule. The first part of the realignment program was authorized by the Commission on this date under the Concourse D Common Use Expansion Project (C800455).

On September 28, 2010, the Port Commission was given a summary briefing of the upcoming 2011 capital improvement plan that included the airline realignment program elements.

On July 9, 2010, the Port Commission was notified that the CEO would enter into a 5 year sole source contract with JBT AeroTech for the procurement of PLBs and PLB components.

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.