

PORT OF SEATTLE
MEMORANDUM

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COMMISSION AGENDA

Item No. 5c

ACTION ITEM

Date of Meeting September 11, 2012

DATE: September 7, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Airline Realignment Tenant Improvements (Expense) Regulated Materials Management for Zone 2 Ticket Counter and Offices and Tenant Relocation

Amount of This Request: \$730,000

Source of Funds: Airport Development Fund

Est. State and Local Taxes: \$37,000

Est. Jobs Created: 12

Total Project Cost: \$23,285,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to: (1) advertise and execute a construction contract for regulated materials management (RMM) abatement for the Zone 2 Ticket Counter and Offices; (2) use Port crews for construction to support RMM abatement; and (3) execute a contract for moving services to relocate airline tenants, all associated with the Airline Realignment Tenant Improvements Project at Seattle-Tacoma International Airport. The cost of the RMM and moving services is \$730,000 (expense).

SYNOPSIS:

This project is for the RMM abatement of portions of the Zone 2 ticket counter and offices in support of the United Airlines (United) tenant project that is now under design and for which authorization for construction will be sought at a future date. As part of the airline realignment, the Port will contract for moving services in order to move the participating airlines into their new spaces.

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 in 2013. 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. The costs associated with this authorization request are included in the total estimated project cost of \$23.3 million (expense), and these costs are included in the 2012 operating budget.

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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 and Operating Agreement. The reallocation will require a number of modifications associated with the airlines, which 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 that necessitated the repositioning of gates, holdrooms, and ticketing positions throughout the Airport.

Of the airlines involved in the Airline Realignment, Alaska Airlines and United Airlines have chosen to complete tenant improvements as tenant projects to be reimbursed by the Port. In order to allow United to begin its construction of new Zone 2 ticket counters and offices and remain on the overall project schedule, RMM abatement must begin now.

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 RMM abatement of portions of the Zone 2 ticket counter and offices. The regulated material in this project will include the removal of asbestos-containing material in the fireproofing above the ceiling and all associated work related to it.

The moving service contract will provide moving services for the tenants associated with this realignment program. Also, as part of the airline realignment, the Port will contract for moving services in order to physically move the participating airlines into their new spaces.

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Schedule:

The project schedule is as follows:

Commission Authorization	September 2012
Start RMM work for offices	November 2012
Complete RMM work for offices	December 2012
Start RMM work for ticket counters	January 2013
Complete RMM work for ticket counters	February 2013
Complete moves of airlines	May 2013

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary:

	Capital	Expense	Total Project
Original Budget	\$0	\$23,285,000	\$23,285,000
Revised Budget	\$0	\$23,285,000	\$23,285,000
Previous Authorizations	\$0	\$9,207,255	\$9,207,255
Current request for authorization	\$0	\$730,000	\$730,000
Total Authorizations, including this request	\$0	\$9,937,255	\$9,937,255
Remaining budget to be authorized	\$0	\$13,347,745	\$13,347,745

Project Cost Breakdown:

	This Request	Total Project
Construction	\$510,000	\$4,060,000
Construction Management	\$103,000	\$653,500
Design	\$10,000	\$515,000
Project Management	\$40,000	\$481,700
Permitting	\$0	\$67,400
State & Local Taxes (estimated)	\$37,000	\$337,400
Professional Moving Services	\$30,000	\$30,000
Future Projects*	\$0	\$17,140,000
Total	\$730,000	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 \$23,285,000 of operating costs will be spread over 2011 through 2013. The Airport included \$8.2 million in the 2012 operating budget and the 2012 expenses for RMM will be covered by this budget item; remaining expenses that will be incurred in 2013, such as the majority of the moving services contract, will be included in the 2013 expense budget. 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.

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Financial Analysis and Summary:

For 2012, the budgeted operating costs associated with terminal realignment will increase passenger airline costs per enplaned passenger (CPE) by \$0.49.

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:

Abatement of regulated materials prior to construction activities will remove a source of potential air pollution.

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 – Require the abatement of regulated materials to be performed by the airline completing the tenant improvements. The airlines are typically reluctant to complete this work. 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 abatement of regulated materials using combination of small works packages and Port crews to perform the 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 July 10, 2012, the Port Commission authorized Airline Realignment Tenant Improvements in the amount of \$4,243,400 to advertise and execute a construction contract and use of Port Crews for Airline Tenant Improvements – Airline Realignment.

On July 10, 2012, the Port Commission authorized CUSE construction at ticket counters and gates, and seating in the amount of \$1,887,000.

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On June 26, 2012, the Port Commission was provided an update briefing with the NorthSTAR budget restructuring.

On June 26, 2012, the Port Commission authorized additional budget of \$400,000 to add two fuel pits (C800472).

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).

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.

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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 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 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.