

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5b

ACTION ITEM

Date of Meeting October 23, 2012

DATE: October 15, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: David Soike, Director, Aviation Facilities and Capital Program
James R. Schone, Director Aviation Business Development
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: Central Terminal Freight Elevator Project at Seattle-Tacoma International Airport
(CIP #C800334)

Amount of This Request: \$7,684,000 **Source of Funds:** Airport Development Fund

Est. State and Local Taxes: \$ 526,000 **Est. Jobs Created:** 132 (Total Project)

Est. Total Project Cost: \$8,318,000

ACTION REQUESTED:

Request Commission authorization to (1) increase the Central Terminal Freight Elevator project budget from \$6,664,000 to \$8,318,000; (2) authorize the Chief Executive Officer to advertise and award a major construction contract for the Central Terminal Freight Elevator project at Seattle-Tacoma International Airport; and (3) authorize Port Construction Services to perform support work. The total project cost is \$8,318,000.

SYNOPSIS:

The Central Terminal service elevators that currently support the post-security main terminal are undersized for growing Airport needs, and limit both the efficiency of tenant operations and the Port's ability to command the highest possible rents for tenant spaces in the future. The undersized elevators cost the Airport and its tenants money and expose passengers and employees to risk of injury. Addressing this problem by constructing two new freight elevators now will improve operations for many tenants, avoid risk of longer-term loss of revenue, and support the 1,500 concessions jobs within the Airport. This project will install two new freight elevators, one to the north and one to the south of the public area of the Central Terminal building. These new freight elevators will be constructed on the exterior of the Central Terminal and will be connected to the structure to serve the basement, ramp, concourse, and mezzanine levels. The primary benefit of this project will be realized by the concessionaires through improved elevator reliability and efficiencies in transporting product; however, all Airport users will benefit. This project was included in the 2012 capital budget and plan of finance.

BACKGROUND:

The Central Terminal Expansion (CTE) project, completed in 2005, added 240,000 square feet of terminal space, featuring a six-story tall glass window atrium facing the airfield. Approximately 130,000 square feet of the space was allocated to new Airport concessions. Ten new restaurants

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 2 of 8

and nine retail shops were added, including a 7,000 square foot sit-down restaurant (Anthony's). However, the expansion project did not include freight elevators to support the existing terminal (replacing freight elevator capacity removed in project demolition) or the new expansion. Freight elevators are classed for incidental passenger use and frequent freight use up to 14,000 lbs. Instead, the project installed two service elevators (classed for passenger use and incidental light freight use up to 4,500 lbs.) flanking each side of the Central Terminal. This installation of service elevators, rather than freight elevators, was a shortcoming within the CTE project design that was not remedied prior to construction. The impact of this deficiency has become more pronounced as usage has increased to serve both the Central Terminal and adjacent concourses.

Virtually all Airport deliveries (including food and beverage, retail products, maintenance and janitorial supplies, construction material, office and other supplies) arrive at the Central Load Dock accessed via a service tunnel under the main terminal building. Concessionaire deliveries are taken to the basement or mezzanine level for storage or directly to the concession unit on the concourse level. Any product being moved to the concourse level must be transported from the basement level via the two existing Central Terminal service elevators (See Exhibit A).

These two 4,500-lb. light capacity service elevators are the primary bottleneck in the effort to move product to the concession tenants throughout the terminal. Standard equipment for moving vendor product is a powered pallet jack that can weigh up to 1,000 lbs. With palletized product, the load is often too heavy for a service elevator and this requires the load be split into smaller loads and transported by dolly to the desired location. In addition to the weight limitation, the service elevators fall short of the needed width and depth to accommodate the standard pallet jack equipment. Because of these tight conditions, delivery personnel have accidentally hit the elevators and elevator cab interior surfaces, resulting in damage that requires elevator downtime to effect necessary repairs.

When the service elevators are shut down for repairs, there are no secondary elevators available within a reasonable distance to compensate for the disruption. The existing freight elevator on Concourse D is difficult to access due to heavy traffic and congestion from the baggage make-up area and requires moving heavy pallets up and down steep ramps because of the elevation change from the Central Terminal. Most freight deliveries arrive during the busiest time in the baggage make-up area. Deliveries have to be broken down into much smaller units and hand-carried up the stairs to the concourse or mezzanine level. If a concession unit's normal back-of-house access is not available due to an elevator outage on their side of the terminal, the delivery must be carted across the public area to its destination. These practices consume an inordinate amount of time and labor. For example, when the north Central Terminal elevator is out-of-service, Anthony's Restaurant must bring their large deliveries of fresh fish on ice up via the south elevator and transport them across the public area to the restaurant, where they must unpack and hand-carry the fish up the stairs to the prep-kitchen located on the mezzanine level, one flight above the concourse level. This practice is difficult for concessionaire employees and is unsightly for the traveling public, while causing unnecessary congestion in the public space.

The existing Central Terminal service elevators also are the only means to transport trash and recyclables from Central Terminal, Concourse B, Concourse C, and Concourse D down to the ramp level collection areas. This unsightly but necessary activity adds to the number of trips the elevators must make, increases traffic congestion at the elevator lobbies, and thus adds wait time

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 3 of 8

for the elevator users. Labor is a significant cost for concessionaires and the time waiting in an elevator lobby for this transport process becomes a financial and operational burden.

The estimated project cost has increased from \$6,664,000 to \$8,318,000. Much of the cost increase is a result of a current estimate to construct the two new elevators, based upon the complete detailed, 100% design documents rather than the conceptual estimate used to develop the project notebook in December 2009, nearly three years ago. Specific cost increase elements include the following items:

Description	Project Notebook Estimate	Current Estimate	Cost Difference
Foundation size increase	30 cubic yards (CY) concrete	142 CY concrete	+\$62,000
Basement construction, add'l excavation & shoring	400 CY excavation, 3,000 SF of shoring	2000 CY excavation, 4000 SF shoring	+\$212,000
Superstructure/framing to accommodate increased load capacity	10,000 lbs. capacity	12,000 lbs.	+\$25,000
Cost of elevators	10,000 lbs. capacity, smaller doors	12,000 lbs. capacity and larger doors	+\$90,000
Pavement Replacement	Minimal areas delineated	Area increased by 1/3	+\$12,000
Design scope changes	Not included in notebook	PC Air piping relocation, larger elevator doors, re-writing Port standard specifications	+\$97,000
PC Air piping relocation	Not included in notebook	Included in CTE Freight Elevators scope	+\$95,000
Contaminated soil	Not included in notebook	Anticipated an add'l 1600 CY beneath AOA pavement to be excavated will be contaminated.	+\$120,000
Construction contingencies	10%	15%	+\$284,000
WA State Sales Tax	\$464,000	\$526,000	+\$62,000
Project Management and Commissioning	\$294,000	\$390,000	+\$86,000
Environmental Support & Reviews, and Airport Bldg Dept Permitting & reviews	\$39,000	\$73,000	+\$34,000
Construction Management and other soft costs	\$341,000	\$713,000	+\$372,000
Contract Administration	Previously included in overhead percentage	\$103,000	+\$103,000
Net Increase			+\$1,654,000

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 4 of 8

PROJECT JUSTIFICATION:

These two new freight elevators will allow the Port to provide reliable vertical transportation of concessionaires' product from the loading dock storage area(s) to vendors on the concourse level and the mezzanine levels of the Central Terminal food court, as well as other users for equipment that typically can't use a passenger elevator (i.e., Maintenance, Transportation Security Administration, etc.).

The main recycling stations for Concourses B, C, and D and the Central Terminal are below the Central Terminal and accessed via the existing service elevators. The increased capacity/reliability provided by the two new freight elevators will allow the Port to achieve its recycling/composting percentage goal and likely increase recycling/composting activity to 50%, a key goal of the Port's environmental strategy. The new freight elevators will enhance and support waste reduction by providing additional freight capacity for recycling.

Project Objectives:

- Provide efficient method for delivery of goods to all Airport tenants and the Port.
- Provide the necessary infrastructure for concessionaires to receive, store, and redistribute product in a safe and efficient manner.
- Offer the expected support facilities in order to retain and attract new concessionaires in the Main Terminal.
- Provide enhanced capacity and flexibility in critical movement of concessionaires' product from receiving to storage and finally to point of sale.
- Reduce instances of damage to existing service elevators due to freight use.
- Reduce impacts to the aesthetics of the Central Terminal exterior appearance.
- Provide effective circulation paths on all levels to and from the new freight elevators.
- Provide additional vertical movement of maintenance supplies and oversize parts and equipment from basement shops.
- Provide critical system redundancy for vertical movement of concessionaire goods and Port material.
- Reduce emergency repair costs to existing service elevators.
- Provide increased critical non-airline concessions revenue to support the maintenance and development of the Airport for the benefit of employees and the public.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

The project includes two new freight elevators, each with a rated capacity of 12,000 lbs. adjacent to the Central Terminal, between Concourses B and C, in locations near the existing service elevators. These new elevators are of a freight type, designed to accommodate large loads of material, which may be transported on pallets. To minimize the overall height of the shafts, the elevators are a traction style, with the machine room located at the base of the shaft, at the basement level of the building. The elevators will serve the Basement, Ramp, Ticketing and Mezzanine levels.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 5 of 8

The scope includes all enclosure work for the new elevators including foundations, structure, enclosures, exterior bridge connections, relocation of existing grease interceptors, existing building renovation to accommodate connections, roofing and all associated mechanical and electrical system work.

The two upper floors will be connected to the existing building by a short bridge that penetrates the existing façade. The elevator and bridge structure is designed to be fully independent of the existing terminal, so that the new construction will impose no structural loads on the existing building.

Within the Central Terminal building, there will be temporary and permanent work to accommodate the new elevators, including work by PCS to streamline secure access to the elevator vestibules.

Each of the new elevator locations will require the relocation of existing large in-ground grease interceptor vaults. These vaults serve to separate grease from the sanitary drainage of the restaurants at the ticketing level of the Central Terminal. These vaults must remain in service throughout the construction process. Work will include excavation, demolition, structural, fire protection, lighting, ventilation, and electrical system construction.

Schedule:

The project schedule is as follows:

- Complete design September 2012
- Bid Advertisement October 2012
- Construction start February 2013
- Construction complete June 2014

FINANCIAL IMPLICATIONS:

<i>Budget/Authorization Summary:</i>	Capital	Expense	Total Project
Original Budget	\$6,664,000	\$0	\$6,664,000
Budget Increase	\$1,654,000	0	\$1,654,000
Revised Budget	\$8,318,000	0	\$8,318,000
Previous Authorizations	\$634,000	\$0	\$634,000
Current request for authorization	\$7,684,000	\$0	\$7,684,000
Total Authorizations, including this request	\$8,318,000	\$0	\$8,318,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$8,318,000	\$0	\$8,318,000

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 6 of 8

<i>Project Cost Breakdown:</i>	This Request	Total Project
Construction	\$5,617,000	\$5,617,000
Construction Management and Contract Administration	\$816,000	\$816,000
Design	\$105,000	\$593,000
Project Management and other soft costs	\$547,000	\$693,000
Permitting	\$73,000	\$73,000
State & Local Taxes (estimated)	\$526,000	\$526,000
Total	\$7,684,000	\$8,318,000

Budget Status and Source of Funds:

This project was included in the 2012-2016 capital budgets (CIP #C800334) with a budget of \$6,664,000. The budget increase of \$1,654,000 has been transferred from CIP #C800152 Non Aeronautical New Projects; thus there is no change to the 2012-2016 capital budget. The funding source will be the Airport Development Fund.

Financial Analysis and Summary:

CIP Category	Renewal/Enhancement
Project Type	Infrastructure Upgrade & Customer Service
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$8,318,000
Business Unit (BU)	Concessions (Non-aeronautical)
Effect on business performance	Will reduce NOI after depreciation by \$304,000 due to added O&M costs and increased depreciation.
IRR/NPV	N/A
CPE Impact	None

Lifecycle Cost and Savings:

From a financial analysis perspective, the Port will incur increased Operation and Maintenance (O&M) expense related costs of about \$26,400 per year for these new elevators. These O&M costs are the expenses related to required staffing, tools and supplies, the requirement for ongoing maintenance and periodic component renewal, and energy use. However, these are normal O&M costs, which are expected to be offset to some degree by lower damage repair costs to the current service elevators once the new larger freight elevators are put into service.

The primary benefit of this project will be realized by the concessionaires through improved elevator reliability and efficiencies in transporting product; however, all Airport users will benefit.

Based solely on financial metrics, it is challenging to compare the installation of new freight elevators to premature replacement of the current service elevators. Premature replacement of the current service elevators would not remedy the underlying issue of inadequate capacity for current and future needs. A likely financial impact of continued reliance on service elevators for

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 7 of 8

freight needs would be lower bids from concessionaires when the current leases expire in 2015. Given the known higher operating costs, due primarily to the lack of sufficient, efficient and reliable freight elevator capacity, future bids for concession units would reflect these higher operating costs.

There is also the safety risk associated with concession employees having to carry product up the stairs and across the public areas of the Airport when one or both of the service elevators are shut down for repairs. This risk would only increase as the concessions business grows in the coming years with corresponding enplanement growth, which increases the need for moving more products from the Central Loading Dock to storage units and into retail units to meet the growing needs of the traveling public.

STRATEGIC OBJECTIVES:

- This project promotes the Port's Century Agenda preliminary goal to make Sea-Tac Airport the West Coast "Gateway of Choice" by providing a first-class customer service experience and comfort to the traveling public with the quality concession offerings expected in a large international airport.
- This project also promotes the Port's Century Agenda preliminary goal to "meet the region's air transportation needs at Sea-Tac Airport for the next 25 years" by providing necessary support to vendors to efficiently serve the traveling public.

ENVIRONMENTAL SUSTAINABILITY:

Efficient elevator systems in the Central Terminal will allow the Port to continue its aggressive pursuit of increased recycling and composting by providing more reliable service to the Airport's main collection areas for this material. The project design utilizes increased energy efficiency in the selection of machinery to operate the elevators.

The passenger airlines have greatly reduced their on-board meal offerings. As a result, travelers have come to depend upon purchasing food prior to boarding aircraft. Also, as the Transportation Security Administration has restricted the amounts of food and liquids that can be transported through the checkpoints, travelers have come to depend upon the food concessionaires as their primary source of on-board food and beverages. Providing adequate concession supplies for travelers will depend to a large extent upon these elevators as passenger traffic grows in the coming years.

BUSINESS PLAN OBJECTIVES:

This project supports a strategic objective to operate a world-class airport that can attract and keep both domestic and international carriers to the Puget Sound region.

This project also supports the strategic goal of maximizing non-aeronautical operating income.

TRIPLE BOTTOM LINE SUMMARY:

This project will provide tangible improvements to concession operations. The new freight elevators will allow goods to be reliably delivered to the concession storage areas and to be efficiently retrieved by the concessions tenants when needed. Reduced load dock vehicular "wait

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

October 15, 2012

Page 8 of 8

time” will result in increased load dock safety, and moderately decreased air emissions and decreased fuel consumption.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

ALTERNATIVE 1: Do nothing. Not constructing two new CTE freight elevators, essentially leaving the current inefficient situation as-is, will continue to negatively affect daily concession operations, require continued and likely increased maintenance and repairs, and adversely affect safety and the traveling public since deliveries will become less reliable. Complete replacement of the existing service elevators will have to occur sooner as a result of the overuse of these smaller capacity elevators. This action is not recommended.

ALTERNATIVE 2: Proceed with bid and award a major construction contract for two new CTE freight elevators. **This is the recommended action.**

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Exhibit A – Central Terminal Elevator System
- Exhibit B – Main Terminal Post-Security Freight Elevator Capacity
- Exhibit C – Concessions Supply Route into Terminal
- PowerPoint Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- Commission approved funding of \$634,000 for design at April 5, 2011, Commission meeting.