

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5g

ACTION ITEM

Date of Meeting November 6, 2012

DATE: October 29, 2012

TO: Tay Yoshitani, Chief Executive Officer

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

SUBJECT: Virgin America Airline Ticket Office Construction (CIP #C800492)

Amount of This Request: \$650,000

Source of Funds: Airport Development Fund
and existing bond proceeds

Est. State and Local Taxes: \$762,471

Est. Jobs Created: 16

Est. Total Project Cost: \$13,125,000

ACTION REQUESTED:

Request Port Commission authorization for the Chief Executive Officer to advertise, award and execute a major construction contract in an amount not to exceed \$650,000 to construct a new Virgin America airline ticket office at Seattle-Tacoma International Airport. No additional funding is required for this authorization as the increased cost can be absorbed within the total authorized project budget.

SYNOPSIS:

This project will remodel and relocate Virgin America's airline ticket office to facilitate construction of Delta Air Lines new "flow-through" ticket counters. This project was authorized by the Commission on August 14, 2012, and this portion of the project was originally planned to be built by Port Construction Services (PCS) as a small works project using existing open order small works contractors. However, the costs for all the total combined subcontracts needed for the Virgin America ticket office have increased beyond the \$300,000 threshold, and the project now must be completed using a major construction contract whose estimated value is \$650,000. It is essential to complete the relocation of Virgin's airline ticket office quickly to allow Delta's new ticket counters to be ready for use by next summer's high traffic season. The additional cost will be absorbed within the total project budget.

BACKGROUND:

On August 14, 2012, the Commission authorized the Conversion of the Zone 3 Ticket Lobby to Flow-Through Concept project. This portion of the project relocates Virgin America's airline ticket office to enable construction of Delta Air Lines new flow-through ticket counters.

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Delta Air Lines experienced severe crowding in the Delta ticket lobby in the summer of 2010, the first summer of combined operations after their merger with Northwest Airlines. Delta undertook some minor alterations of the narrow ticket lobby to address the congestion in the near term but recognized these fixes are insufficient for the long term.

Since 2010, Delta has increasingly positioned Seattle-Tacoma International Airport as one of its major international gateways, adding new nonstop service to Beijing, Osaka, Paris, and Amsterdam. In view of Delta's plans to increase its service to the Seattle market, both Delta and the Port began investigating ways to reduce overcrowding and make improvements that will last well into the future.

After examining different options, Delta and the Port agreed that converting the Delta ticket counter to a "flow-through" layout similar to Alaska Airline's is the preferred solution. Computer modeling of the proposed solution by the Airport's Planning Department demonstrated a significant improvement to customer service.

Delta has completed design and obtained internal approvals to begin this remodel. Delta has requested to complete this work as a tenant project before next summer's high traffic season under a tenant reimbursement agreement similar to the one used earlier for its SkyClub project at the South Satellite. Since much of the construction will take place in Delta's leased spaces, and since it must be completed by next summer, Port staff has agreed to their request to build much of the project per the Port's AV-2 Tenant Reimbursement Guidelines. Staff will work with Delta to ensure the Port's values, such as setting appropriate small business goals and paying prevailing wages, are reflected in this construction project. Delta is also expected to spend an estimated \$2,500,000 of Delta's own capital funds in support of this project.

Delta's desire to complete work on their Flow-Through counters by summer 2013 means that other projects to enable the Airport to relocate tenants with leased areas within the footprint of Delta's new counters, such as Virgin America's airline ticket office, have to be handled quickly. The project team determined that utilizing existing open order design and small works construction contracts would be the most efficient method to complete the work and meet Delta's schedule.

Design proceeded rapidly, but significant changes had to be made to the heating, ventilating and air conditioning design when the design team learned that the mechanical unit originally planned to supply conditioned air to the new space did not have capacity remaining to do so. The addition of ducting to a different mechanical unit located farther away increased the scope and costs of the project's mechanical work such that it can no longer be completed as a small works project.

The project team analyzed several options for completing Virgin's ticket office relocation and determined that a major construction contract was needed to complete the tenant improvements in the new office space. Small works contractors will still be used to provide demolition and construction of an adjacent public corridor and police storage area necessary to complete the Virgin America airline ticket office work to keep both projects moving forward as efficiently as possible.

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PROJECT JUSTIFICATION:

The work planned under this authorization will relocate a tenant office space that impedes construction of Delta's new flow-through ticket counters. Completion of the flow-through counters support projected increases in passenger traffic, and provide improved overall circulation, operational flexibility, and efficiency at the Airport.

Project Objectives:

- Relocate Virgin America's airline ticket office in accordance with public procurement regulations
- Ensure construction of Virgin's new offices is completed in time to meet Delta's construction schedule.

PROJECT SCOPE OF WORK AND SCHEDULE:

Scope of Work:

- Port crews and small works contractors will build out a public corridor and police storage area adjacent to the vacant tenant space planned for Virgin America's new ticket office space just south of Checkpoint #3 in the center of the terminal building.
- A major construction contract will build out the tenant improvements for Virgin America's new airline ticket office just south of the newly built public corridor and police storage space.

Schedule:

Activity	Dates
Commission Authorization of Major Contract	November 6, 2012
Construction of Virgin's Airline Ticket Office	January 2013 – April 2013

FINANCIAL IMPLICATIONS:

Budget Status and Source of Funds:

This project, CIP #C800492, is included in the 2013-2017 capital budget and plan of finance with a budget of \$11,778,000. Together with an expense budget of \$1,347,000, the total project cost is \$13,125,000. The funding sources include the Airport Development Fund and existing revenue bond proceeds.

No additional funding is required for this authorization as the increased costs associated with this enabling project can be absorbed within the total project budget.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

August 14, 2012 – Commission authorized Conversion of Zone 3 Ticket Lobby to Flow-Through Concept (CIP #C800492) including construction of the Virgin America ticket offices as a small works project.

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December 6, 2011 – Commission authorized Airline Realignment Miscellaneous Building Improvements project (CIP #C800475) including the Virgin America ticket office design.