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**APPROVED MINUTES
COMMISSION REGULAR MEETING JANUARY 27, 2015**

The Port of Seattle Commission met in a regular meeting Tuesday, January 27, 2015, in the International Auditorium at Seattle-Tacoma International Airport, Seattle, Washington. Commissioners Albro, Bowman, Bryant, Creighton, and Gregoire were present. Commissioner Creighton was absent after 3:42 p.m. Commissioner Bryant was absent after 4:06 p.m.

1. CALL TO ORDER

The meeting was called to order at 11:58 a.m. by Commission Co-President Stephanie Bowman.

2. EXECUTIVE SESSION pursuant to RCW 42.30.110

The public meeting was immediately recessed to an executive session estimated to last 30 minutes to discuss matters relating to negotiations on performance of publicly bid contracts and qualifications for public employment. Following the executive session, which lasted approximately 60 minutes, the public meeting reconvened at 1:16 p.m.

PLEDGE OF ALLEGIANCE

A recording of this part of the meeting has been made available online.

3. SPECIAL ORDERS OF BUSINESS – None.

4. UNANIMOUS CONSENT CALENDAR

[Clerk's Note: Items on the Unanimous Consent Calendar are considered routine and are not individually discussed. Port Commissioners receive the request documents prior to the meeting and may remove items from the Consent Calendar for separate discussion and vote in accordance with Commission bylaws.]

4a. Approval of the minutes of the regular meetings of April 1 and April 22, 2014, and the special meeting of November 4, 2014.

4b. Authorization for the Chief Executive Officer to procure a software license and support agreement from Quantum Secure, payable in annual installments for the next ten years at an estimated cost of \$1,900,000.

Request document(s) included a Commission agenda [memorandum](#).

- 4c. Authorization for the Chief Executive Officer to execute a Restated and Amended Purchase and Sale Agreement, substantially as drafted, with TRF Pacific LLC relating to the proposed sale of the Tsubota Steel site.**

Request document(s) included a Commission agenda [memorandum](#) and [lease agreement](#).

- 4d. Authorization for the Chief Executive Officer to execute an extension memorandum of agreement to the collective bargaining agreement between the Port of Seattle and the International Longshore and Warehouse Union Local 9 representing Aviation Operations/Aviation Security covering the period from January 1, 2015, through December 31, 2015.**

Request document(s) included a Commission agenda [memorandum](#), [memorandum of agreement](#), and [collective bargaining agreement](#).

The motion for approval of consent items 4a, 4b, 4c, and 4d carried by the following vote:

In favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

A recording of this part of the meeting has been made available online.

5. PUBLIC TESTIMONY

Public comment was received from the following individual(s):

- Chris Notaro, Chair, Alaska Airlines Master Executive Council Airline Pilots Association International, who commented on funding of a new Airport International Arrivals Facility.
- Jeffrey Peterson, President, Alaska Airlines Association of Flight Attendants, Communications Workers of America, who commented on the cost of a new International Arrivals Facility at the Airport.
- Joseph Sprague, Senior Vice President, Communications and External Relations, Alaska Airlines, who commented on funding of a new International Arrivals Facility at the Airport. Mr. Sprague submitted written comments, which are included here as minutes [Exhibit A](#) and are available for public review.
- Eddie Rye, Community Coalition for Contracts and Jobs, who commented on discrimination in the Airport Dining and Retail program.
- Hayward Evans, Community Coalition for Contracts and Jobs, who commented on unfair treatment of concessions in the Airport Dining and Retail program.
- Charlie James, Martin Luther King County Institute, who commented on fighting discrimination in King County.
- Bob Armstead, President, Washington State Chapter of the National Association of Minority Contractors, who commented on litigation against the Port and Port staff for discriminatory practices.
- Al Robertson, Seven Hills Properties, who commented on the relationship of public/private partnerships and competitive leasing in Port real estate policy.
- John Lockwood, Senior Advisor, Vigor Industrial and Seattle Marine Business Coalition, who commented in favor of interim use of Terminal 5 by Foss Maritime.

A recording of this part of the meeting has been made available online.

6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS

6a. Authorization for the Chief Executive Officer to advertise a request for proposals to shortlisted progressive design-build teams for the International Arrivals Facility at Seattle-Tacoma International Airport (CIP C800583).

Request document(s) included a Commission agenda [memorandum](#).

Presenter(s): Frederick Robinson, Program Leader, Aviation Project Management Group, and David Soike, Director, Aviation Facilities and Capital Programs.

Progress on the progressive design-build request for qualifications and request for proposals process was reported. Validation of project assumptions and existing conditions will follow award of a contract for a design-build team. Validation will produce a target budget, schedule, and final scope. The current project estimate of \$608 million includes \$100 million in contingency. A guaranteed maximum price is scheduled to be presented to the Commission for approval in the second quarter of 2017.

There was a discussion of the need for an appropriate financing plan for the facility, which is essential to retain large, economically important, local companies that rely on international air connections. Funding the project requires balancing competing interests while striving to remain competitive in the airport marketplace. The need for the facility is understood, but there are still many unknowns in the areas of schedule, design, cost, and financing.

The motion for approval of agenda item 6a carried by the following vote:

In favor: Albro, Bowman, Bryant, Creighton, Gregoire (5)

A recording of this part of the meeting has been made available online.

7. STAFF BRIEFINGS

7a. International Arrivals Facility – Funding Plan Update & Fourth Quarter Report.

Presentation document(s) included a Commission agenda [memorandum](#) dated January 9, 2015, a Commission agenda [memorandum](#) dated January 20, 2015, [presentation](#) slides for an IAF fourth quarter update, and [presentation](#) slides on the Aviation capital budget and funding sources.

Presenter(s): R. Borgan Anderson, Director, Aviation Finance and Budget, and Mark Reis, Managing Director, Seattle-Tacoma International Airport.

Issues and considerations affecting financing of the Airport's capital program over the next five years were presented. A number of large capital programs are affected, particularly the construction of a new International Arrivals Facility (IAF). The current IAF cost estimate of \$608 million is significantly higher than the original estimate of \$344 million. Therefore, adjustments to the capital program and funding mechanisms are under consideration. Program cost savings include suspension of medium-term improvements to the South Satellite and savings from other

capital projects. The resulting net increase to the 2014-2019 capital spending plan would be approximately \$64 million.

In the current airline lease (Signatory Lease and Operating Agreement, or SLOA), the IAF is identified as its own cost center. To mitigate the impact of the Airport's capital program, including the IAF, on the airline rate base, use of passenger facility charges (PFCs) is proposed to contribute cash or finance revenue bond debt service for the project. PFCs can be used only for projects that receive Federal Aviation Administration approval.

Construction of the IAF was included as an approved project in the current SLOA, but requires majority-in-interest approval by 55 percent of the airlines due to the large cost increase. A negative vote would delay the project six months. Despite the ability to proceed with the project after a waiting period, Commissioners emphasized the value of working collaboratively with the Port's airline partners.

Using measures of cost per enplanement and debt per enplanement, the Airport strives to remain in the middle third of competing peer airports. Its ability to stay within the middle third while pursuing a capital program that includes a \$608 million IAF is seen as an indicator of the project's affordability.

Historic uses of PFCs at the Airport were reviewed. Funding scenarios for the IAF demonstrating different options for the allocation of PFCs were presented to illustrate their effect on other Airport capital funding sources and airline rates through 2022. The effects of the scenarios also were correlated to Federal Inspection Service rates, landing fees, and terminal rents through 2022, when the debt issued to fund the IAF is expected to be retired.

Commissioners noted that capital costs for the IAF will not begin to be collected until 2019, at which time rates would be based on a SLOA that is not yet in effect or negotiated. The increased cost estimate of the IAF was compared to the cost increases to Alaska Airlines' NorthSTAR program, in which Alaska's facilities at the northern end of the Airport are undergoing major redevelopment. It was estimated that other airlines will eventually pay for 58 percent of the program, which largely benefits one user. Commissioners expressed interest in how PFCs have been balanced over time, noting that although PFCs are collected from international passengers, they have never been used for the exclusive benefit of international carriers.

The use of PFCs to fund debt service on construction of the Third Runway was discussed in relationship to PFC use for the IAF. The Port's flexibility in its use of PFCs was noted as reflective of a balance in the current SLOA of Federal Inspection Services becoming a discrete cost center and the Port's need to fund capital projects so as to remain competitive with rates at peer airports.

Commissioners discussed the implications of using cash to fund the IAF and the dynamics of landing fee decreases. They noted competition with other Pacific gateways for international business, including Vancouver, British Columbia, which operates under Canadian fee structures and regulations. Emphasis was placed on development of a finance plan that is logical and fair. It was proposed that there be further public discussion of the parameters for financing a new IAF.

A recording of this part of the meeting has been made available online.

7b. Sustainable Airport Master Plan (SAMP) Planning Update.

Presentation document(s) included a Commission agenda memorandum and presentation slides.

Presenter(s): Mark Reis, Managing Director, Aviation Division, and Elizabeth Leavitt, Director, Aviation Planning and Environmental.

The rapid growth of the Seattle-Tacoma International Airport and its regional economic implications were reviewed. By 2034, the Airport is expected to see 540,000 annual aircraft operations and 66 million annual passengers, all within a constrained footprint of space. Airport operations will be significantly affected, especially in relation to peak hour activity, and accommodating facility needs involves balancing trade-offs, each of which has repercussions on other system components.

Analysis of potential facility requirements over a 20-year period informs evaluation of development alternatives and is based on the Airport's activity forecast, currently in draft form pending approval by the Federal Aviation Administration (FAA). Preliminary options to accommodate Airport growth require consideration of roadway congestion, capacity of check-in facilities, efficient flow of aircraft traffic on taxiways, capacity of baggage systems, and security screening capacity, among others.

In order to maximize the Airport's limited operational footprint and provide for complex project phasing, functional priorities for property allocation have been adopted. In order of importance, these include the passenger terminal, airfield, landside operations, cargo operations, airline support activity, Airport support activity, and general aviation uses. Some general aviation use is required by the FAA as a condition of grant eligibility.

Master planning assumptions were discussed. It was reported that direct terminal access for aircraft during peak activity is needed. Resorting to long-term busing operations to remote hardstands is disfavored for customer service reasons. The minimum connection time for passengers and luggage must be as low as or lower than 60 minutes to remain competitive with other airports. Reliable roadway access to the terminal with minimal delay is necessary.

It was reported that by 2034, assuming completion of the North Satellite Expansion and construction of a new IAF as currently proposed, the Airport will additionally require 35 more aircraft parking positions. Cargo warehousing will require consolidation and potential mechanization to provide 400,000 to 500,000 square feet of needed space by 2034. The need for additional gates will present itself shortly after completion of the IAF and North Satellite expansion. In the near term, hardstand operations with busing of passengers are expected. There may be a need for an interim remote gate lobby, expanded check-in capacity, and localized security and baggage system reconfigurations.

Commissioners commented on the difficulty involved in phasing long-term improvements to coincide with actuation of their need. Economic climate can shift unpredictably, affecting the build-out of improvements. As a destination airport, rather than a hub, Seattle-Tacoma International Airport is particularly vulnerable to such shifts.

Preliminary, conceptual options to accommodate growth were presented. Terminal space and new gates might be built to the south of the current terminal contiguous with Concourse A or as a new

satellite terminal. Expansion of gates to the north as an extension of the North Satellite or as a new satellite terminal was described. Options are under review related to expansion of the check-in areas within the Main Terminal that would directly affect options for expansion or reconfiguration of the Airport drives. Options for relocation of air cargo and service facilities were discussed. Airfield options noted are aimed at avoiding the need for aircraft to cross departure runways. The challenges associated with managing growth-driven congestion on the North Airport Expressway were discussed.

Commissioners discussed the relationship of gate needs and distribution relative to airfield capacity for larger aircraft and physical separation requirements for different sizes of aircraft. The reduction of minimum connect time was discussed as a tool for increasing gate capacity during peak operations. More efficient movement of aircraft on the airfield also translates to lower operating costs for airlines, reductions in aircraft emissions, and improved passenger experience. The need to preserve options for aircraft "remain-over-night" (RON) hardstand positions was discussed.

Next steps in the Sustainable Airport Master Planning process include further analysis and modeling of airfield alternatives and terminal expansion options. Non-terminal functions will factor into the planning once a preferred terminal expansion alternative is known. The effects of growth on parking requirements and congestion associated with busing between the terminal and the rental car facility were noted. Commissioners commented on the opportunity for access to the Airport from the south that could be afforded by completion of SR-509.

Analysis and modeling of the interaction between proposed terminal and curbside facilities under different development scenarios is planned. Staff also will conduct modeling of the impacts of expansion on the adjacent roadway network. The SAMP will continue to be refined in 2015, with constructability and phasing examined late in the year. Planning-level cost estimates will be prepared in anticipation of developing a plan of finance for needed expansion and improvements. Environmental sustainability goals, including economic and social responsibility goals, will be incorporated into the SAMP.

Commissioner Creighton was absent after 3:42 p.m.

Commissioner Bryant was absent after 4:06 p.m.

Public outreach and continued Commission engagement will proceed in the form of meetings with local officials and stakeholders, followed by a series of public open-house meetings. The Commission expressed interest in ensuring flexibility for the public providing feedback and noted that public comment will be recorded to ensure due consideration. Commissioners discussed the various stakeholder groups to be engaged, including surrounding communities, Sound Transit, Washington Department of Transportation, local and state elected officials, pilots, and others.

It was noted that SAMP planning has included meetings with Seaport staff to understand the requirements for improving the processing of cruise passengers, most of whom arrive by air. Also under consideration are provision of conference center space at the Airport and coordination with Sound Transit to improve the connection of passengers to the Airport by mass transit.

A recording of this part of the meeting has been made available online.

7c. 2014 Fourth Quarter Update on the Airport's NorthSTAR Program.

Presentation document(s) included a Commission agenda memorandum and presentation slides.

Presenter(s): George England, Program Leader, Aviation Project Management Group.

The status of the renovation projects comprising the NorthSTAR program to redevelop Alaska Air Group's facilities at the north end of the Airport was described. North Satellite Renovation and Baggage System Expansion have increased the program budget approximately \$30 million to total about \$522 million. The North Satellite Transit System Renovation is behind schedule and project delays have delayed expenditures.

Upcoming Commission actions will include authorization of a developer agreement with Puget Sound Energy to provide natural gas to the North Satellite. The North Satellite Transit System Renovation contract was awarded earlier in January with General Contractor/Construction Manager Hensel Phelps. There will be a majority-in-interest ballot distributed in February on expansion of the North Satellite baggage system.

Completion of design of the North Satellite Renovation and North Satellite Transit System Lobbies project may be delayed. Small Contractors and Suppliers participation for this project is below forecast. Concourse C Vertical Circulation may shift to "concerned" status during the next quarter, due to concerns regarding door insulation at the gates. Numbers for change orders processed, apprenticeship and small contractors and suppliers participation, and project cash flow were presented.

The C88 baggage system was shut down entirely for demolition and new control wiring and baggage components are being installed. Overall, the Refurbish Baggage System project is behind schedule. Small Contractors and Suppliers participation in design work has been strong, but participation in construction and in apprenticeship usage are below target.

Notwithstanding notes to the contrary in the presentation materials, it has been decided to include the Concourses C and D Exterior Stairs project in the NorthSTAR program with a budget estimate of \$21.4 million.

A recording of this part of the meeting has been made available online.

Without objection, the following agenda item –

7d. Real Estate Policy (RE-7): Competitive Procurement in Long-Term Leases of Real Property. [laid on the table]

– was laid on the table.

7e. Legislative Update for January 27, 2015.

Presenter(s): Beth Osborne, Federal Government Relations Manager, Public Affairs

Information affecting Port policy priorities at local, state, and federal levels was reviewed. Key issues and developments being followed by Government Relations staff include the following:

- Congressional committee assignments of Washington's Congressional delegation
- FAA budget reauthorization
- Transportation funding
- Funding for the Port's harbor deepening study
- TIGER (Transportation Investment Generating Economic Recovery) funding
- Legislative changes to facilitate federal funding of freight mobility projects
- Seaport Alliance advocacy at the state level
- Legislation to extend Public Development Authority status to ports
- Tourism funding
- Advocacy for transportation funding to complete SR-509 and SR-167
- City of Seattle legislation establishing a heavy haul corridor for freight traffic through Seattle
- Seattle Shoreline Master Plan review
- City of Seattle Freight Master Plan development
- Receipt of final payment for King County's portion of the Eastside Rail Corridor

A recording of this part of the meeting has been made available online.

8. ADDITIONAL NEW BUSINESS – None.

9. ADJOURNMENT

There was no further business, and the meeting adjourned at 4:37 p.m.

Tom Albro
Secretary

Minutes approved: September 8, 2015.