

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4f
Date of Meeting October 27, 2015

DATE: October 19, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
James Schone, Director, Aviation Business Development
SUBJECT: Central Terminal Mezzanine to Ticketing Stair Project (CIP #C800716)

Amount of This Request: \$491,000 **Source of Funds:** Airport Development Fund
Est. Total Project Cost: \$2,560,000

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to execute professional services contracts and prepare design and construction bid documents for the Central Terminal Mezzanine to Ticketing Stair project at Seattle-Tacoma International Airport for \$491,000 of a total estimated project cost of \$2,560,000.

SYNOPSIS

Available office space on the mezzanine is becoming increasingly scarce due to recent United Services Organization (USO) and airline growth; therefore, it is necessary to build stairways to the remaining available space to meet egress (exiting) building code requirements and provide developable space for future growth.

This project will build two stairways near the central checkpoint (see Exhibit A) to provide egress capacity from the mezzanine level to the ticketing level on the non-secure side of the Airport. This is needed in order to allow future occupancy of currently un-leasable space on the mezzanine for airlines, dining and retail businesses, staff, or other tenants. This project will also install fire sprinklers to support egress from this portion of the terminal.

Upon project completion, lease revenue is anticipated at \$770,750 in 2017, escalating to an estimated \$1,593,850 in 2018.

This project is within the existing terminal building and therefore would not be affected by future decisions related to the sustainable airport master plan.

BACKGROUND

In 2004, as part of the construction of the Central Terminal Expansion (CTE) project, a staircase, which provided egress from the mezzanine level, was removed. The growth in operations and

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passengers at the Airport, and the related increase in support space needed by the Port's airline partners, has led to greater levels of occupancy on the mezzanine above the ticketing and checkpoint area. The occupancy levels have now reached a point where if the Port wishes to make use of any vacant space on the mezzanine level, egress stairways and fire sprinklers must be installed in the central area of the terminal building. There are approximately 10,000 square feet of office space on the mezzanine level that are now vacant.

In 2012, the Airport worked with the USO Northwest to build a new and expanded Airport USO lounge on the mezzanine level. The initial code review for the USO project highlighted the reduced egress capacity on the mezzanine level. While sufficient egress capacity existed for the lounge to be constructed, there was no remaining capacity for the central zone of the mezzanine level, thereby making the current vacant space on the mezzanine level unusable until improvements to egress capacity are made. The two stairways proposed by this project will supply the additional egress capacity required to occupy the space located in the central zone of the mezzanine level when installed in concert with fire sprinklers in the central terminal area.

The Airport main terminal building opened in the 1970s without a comprehensive fire sprinkler system. This met the provisions of the Uniform Building Code that was in force when it was designed and built. Today, the International Building Code (IBC) recognizes the benefits of a building fire sprinkler system by allowing longer and narrower egress pathways for buildings that have them installed. In order for the mezzanine stairs to qualify as egress pathways for the full use of the mezzanine, fire sprinklers must be installed.

The Sustainable Airport Master Plan (SAMP) is currently reviewing alternatives to accommodate future airport growth including an alternative that may change the configuration of the ticket lobby and departures drive. As part of this review, a study of the building's fire protection, smoke control, and egress capacity would be required in order to ensure compliance with applicable IBC codes. Should SAMP determine that the airport's future growth be accommodated elsewhere such as a new terminal building, staff would complete an egress study separately in order to determine how best to meet the building code requirements.

PROJECT JUSTIFICATION AND DETAILS

Airport staff is managing an increasingly scarce resource of available office space in the main terminal largely due to recent growth in demand from airlines operating at the Airport. The need for additional leasable office area is imminent. Recent requests from both Delta Air Lines and Alaska Airlines have largely committed all pre-security leasable space of significance in the main terminal. This makes the remaining 10,000 square feet of un-leasable space critically important. It is also anticipated that up to half of this space will be required to support the office needs of the companies awarded contracts under the Airport Dining and Retail (ADR) group's master plan that is currently underway. Although the ADR tenants have not yet been selected, staff has estimated office space requirements based on current tenant use along with the number of anticipated future lease packages.

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It should be noted that in addition to providing sprinklers that will benefit the two stairs and their associated egress pathways, the fire sprinklers will benefit a future Baggage Optimization project which will be able to use an egress pathway nearby once the fire sprinklers are installed.

Project Objectives

This project will provide additional egress capacity in the form of stairs from the mezzanine level of the Airport, making the currently un-leasable office space usable.

Scope of Work

Install two stairways from the mezzanine level of the Airport to the ticketing level at the central breezeway between the ticket lobby and the security checkpoint. The scope includes: way finding signage, structural modifications for support, modifications to the credential center, asbestos abatement, and modifications to the lighting and fire alarm and sprinkler systems to accommodate the new stairways.

Schedule

Commission authorization to Design:	4 th Quarter 2015
Commission authorization for Construction:	2 nd Quarter 2016
Issue Notice to Proceed	3 rd Quarter 2016
Construction Complete	1 st Quarter 2017

FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$1,250,000	\$0	\$1,250,000
Current Budget Increase	\$967,000	\$343,000	\$1,310,000
Revised Budget	\$2,217,000	\$343,000	\$2,560,000
Previous Authorizations	\$20,000	\$0	\$20,000
Current request for authorization	\$491,000	\$0	\$491,000
Total Authorizations, including this request	\$511,000	\$0	\$511,000
Remaining budget to be authorized	\$1,706,000	\$343,000	\$2,049,000
Total Estimated Project Cost	\$2,217,000	\$343,000	\$2,560,000

<i>Project Cost Breakdown</i>	This Request	Total Project
Design Phase	\$491,000	\$511,000
Construction Phase		\$1,949,000
State & Local Taxes (estimated)		\$100,000
Total	\$491,000	\$2,560,000

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Budget Status and Source of Funds

This project was included in the 2015 – 2019 capital budget and plan of finance as a business plan prospective project with a budget of \$1.25 million. The cost increase is due to the need for additional structural support, fire sprinklers (which were previously not in scope and are a requirement of the building code) and abatement. The capital budget increase will be transferred from the aeronautical allowance CIP (C800404) so that there will be no change to the overall capital budget. The funding source will be the Airport Development Fund.

The expense portion of the project cost includes \$343,000 estimate for asbestos removal. This will be included in the 2016 operating budget.

Financial Analysis and Summary

CIP Category	Renewal and Enhancement
Project Type	Infrastructure upgrades
Risk adjusted discount rate	8%
Key risk factors	Demand for additional terminal space
Project cost for analysis	\$2,560,000
Business Unit (BU)	Terminal
Effect on business performance	Although there are no current commitments to lease this space, the financial analysis estimates lease payments to begin in 2017 at \$770,750 for 5,000 square feet, and increase to \$1,593,850 for 10,000 square feet in 2018, and then subject to adjustment along with other terminal rental rates thereafter.
IRR/NPV	5-year analysis (assumes leases with 4 tenants): NPV: \$2.9 million IRR: 34.0% Payback: 2 years 30-year analysis (based on probable asset life, continued split of 5,000 square feet aeronautical, 5,000 square feet non-aeronautical tenant mix): NPV: \$17.8 million IRR: 46.2%

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	<p>Assumptions:</p> <ul style="list-style-type: none">-Aviation Finance and Budget projects a lease rate of \$171.45 per square foot per year in 2017, which increases to \$235.64 in 2024 and then is held flat thereafter for aeronautical space- Aviation Finance and Budgets project a lease rate of \$136.85 per square foot per year in 2017, which increases to \$190.11 in 2024 and then is held flat thereafter for non-aeronautical space-2,500 square feet leased to an aeronautical tenant and 2,500 square feet leased to a non-aeronautical tenant for each of 2017 and 2018.-Each build-out incurs approximately \$189,216 of costs that are eligible for reimbursement under the Port's AV-2 Tenant Reimbursement Policy (though funds for these potential reimbursements are not part of this authorization request). <p>Looking at the airport impacts after accounting for the lease payments through the airline agreement, 77% of the capital costs are recovered through airline rates and charges. The non-aeronautical business is allocated 23% of the capital costs. Looking at the net impact on the non-aeronautical side, the capital investment is approximately \$510,000 (23%), and the potential annual lease revenue exceeds \$685,000 per year, for a short payback and a very favorable NPV.</p>
CPE Impact	\$.03 in 2016 due to O&M costs, then \$.01 annually beginning in 2017.

Lifecycle Cost and Savings

Aviation Maintenance may experience some additional operating and maintenance costs for materials, depending on the stair type/quality/installation, though they are not anticipated to be significant. A more detailed estimate of operating and maintenance costs will be provided once design is complete.

STRATEGIES AND OBJECTIVES

This project supports the Port's Century Agenda objective of meeting the region's air transportation needs at the Airport for the next 25 years and encouraging the cost-effective expansion of domestic and international passenger and cargo service. The Airport must meet the business needs of tenants by providing office space to support their operations.

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This project supports the Aviation Division's Strategy of operating a world class international airport by ensuring safe egress routes for those using the mezzanine facilities and meeting the needs of our tenants and the region's economy.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Expand the terminal footprint through the addition of approximately 10,000 square feet of terminal space in an alternate location (i.e., additional floor on top of the C1 Building).

Capital Cost - \$11.5 M (rough order of magnitude)

Pros:

- Provides needed square footage for additional tenant office needs.
- Preserves the full open architecture of the Airport's Central Checkpoint.
- Has no effect on queuing during construction.

Cons:

- Additional office space would be post security, which is not where the greatest gap between supply and demand for tenant office space resides.
- Would not solve egress capacity limits in the central main terminal space or incrementally improve fire sprinkler coverage.
- Would still leave unusable/un-leasable space in the valuable central area of the Terminal.
- Would not provide added easy access benefit for passenger use for pre-security access to Lost and Found, Credential Center, USO, and Central Auditorium on the mezzanine level.

This is not the recommended alternative.

Alternative 2) – Install two exterior egress paths from the mezzanine over the roof ending on the airfield side of the mezzanine to provide the code-required egress path.

Capital Cost: \$3.3M (rough order of magnitude)

Pros:

- Less expensive than Alternative 1.
- Would provide the necessary egress capacity to make the currently un-leasable space on the mezzanine leasable.
- Preserves the full open architecture of the Airport's Central Checkpoint.

Cons:

- There are many security concerns with allowing unscreened people to egress from the building on the secure side of the Airport.

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- One of the pathways runs along the south CTE wall. The wall is currently glass and allows natural light into the central area of the main terminal, not within the CTE. This alternative would remove all glass panels and install solid panels, diminishing natural light in the terminal area.
- This alternative requires that the structure under the roof be reinforced to meet requirements for additional load and seismic stability, which would significantly restrict passenger flow in Concourse B.
- The contractor working on this project could damage the roof by puncturing or carrying/dragging heavy materials across the surface leaving the roof membrane in an irreparable state, requiring roof replacement.
- This alternative would limit Maintenance access to portions of the roof making it more costly to repair and replace.
- Additional security equipment would be required including but not limited to cameras and security access control.
- Would not provide added customer service benefit for passenger use for pre-security access to Lost and Found, Credential Center, USO, and Central Auditorium on the mezzanine level.
- Would not provide the required egress for the Baggage Optimization project, which would need to install fire sprinklers along the egress pathway at a cost of approximately \$1.7 M, or identify a new location for the break room.

This is not the recommended alternative.

Alternative 3) – Install two interior stairways and required sprinkler coverage in the open high ceiling breezeway area between the ticket counters near the central checkpoint, providing egress from the north and south sides of the mezzanine on the non-secure side of the Central Terminal.

Capital Cost: \$2.56M

Pros:

- Lowest cost alternative.
- Would solve egress capacity limits and incrementally improve fire sprinkler coverage in the central main terminal.
- Keeps non-screened passengers on non-secure side of Airport rather than providing egress into the secure side of the Airport.
- Would not require additional security equipment, improvements to airfield side roof or risk potential roof damage by contractors.
- Would provide added passenger and employee customer service benefit through improved vertical access to Lost and Found, Credential Center, USO, and Central Auditorium.
- Provides egress capacity for other projects, such as the Baggage Optimization project.

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Cons:

- Slightly lessens the full open architecture of the central breezeway.
- Requires the relocation of the movable (portable) art display cases.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Exhibit A: Floor plan illustrating new stairs and adjacent space utilization

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None.