



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6f

ACTION ITEM

Date of Meeting May 22, 2018

DATE: May 7, 2018

TO: Stephen P. Metruck, Executive Director

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

SUBJECT: Concourse C Ramp Space Renovation Project (CIP #C800986)

Amount of this request: \$1,939,000

Total estimated project cost: \$2,100,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) complete design of the Concourse C Ramp Space Renovation project at Seattle-Tacoma International Airport; (2) advertise and execute a major public works contract for the renovation project; (3) proceed with construction; and (4) use Port crews to complete the work. This single authorization is for \$1,939,000 of a total estimated project cost of \$2,100,000.

EXECUTIVE SUMMARY

This project will create leasable space on the ramp level of Concourse C for use by Alaska Airlines' Fleet Services. As a result, space will become available on Concourse D ramp that can be used by American Airlines' fleet services. Both airlines fleet service operations have been constrained and affected by airport construction.

During the construction of the Concourse D Hardstand Terminal project, it became apparent that the Fleet Services operation on Concourse D required more ramp space than what was going to remain. Because of operational impacts, a temporary location was found for a split operation at the North Satellite and Alaska moved to that location in January. This North Satellite space is slated for construction in Q2 2019 and thus is temporary.

This project's site on Concourse C was also initially chosen for a temporary location. As site investigations were undertaken it became apparent that more extensive work would be required to prepare the space for occupancy. At the same time, the team determined that this site would be appropriate for a long term location for the Fleet Services operation in conjunction with a smaller operation remaining on Concourse D.

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This project was not included in the 2018 capital budget. This was due partly to the timing of the results of a broad alternatives analysis that identified this project as the preferred long term solution. The urgency for this project is driven by the need for the North Satellite space to be vacated in Q2 2019.

JUSTIFICATION

The project supports the Airport's growth and enhances flexibility by creating a renewed leasable space. Space on the Airport's ramp has been limited due to the rapid growth experienced by the Airport in the past five years. New leased space is needed to sustain the growth in airline operations. This project will bring a currently unleased space into building code compliance. The resulting relocations from this project will reduce congestion on the ramp and improve safety and security of operations.

The Alaska Fleet Services operation stores and prepares aircraft cabin and servicing supplies. It provides a base for staff that utilizes a fleet of vehicles to visit and service the airline's aircraft while the aircraft are at the gates. Its primary needs are space for a storage space, supervisor office, staff break room and vehicle parking spaces on the ramp.

Due to space limitations on the ramp level, American Airlines Fleet Services is currently operating outside the building in a tent. This project will allow for American Fleet Services operation to move inside the building on Concourse D after Alaska Airlines reduces the size of their operation at that location.

DETAILS

This project will renovate a space on the Concourse C ramp that is currently unoccupied. The space will be leased immediately. An Indefinite Delivery Indefinite Quantity (IDIQ) contracted design consultant, Port Construction Services (PCS), and a major works contractor will complete this project.

Scope of Work

The scope of this project includes work necessary to prepare a vacant space for lease and make improvements for the tenant, including:

- (1) Updating utilities including ventilation, plumbing, fire sprinklers, lighting, power, and communications, including bringing the space up to current code.
- (2) Installing new finishes, including flooring, walls and ceiling.
- (3) Updating the space layout including doors and added storage.

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Small Business

Port Economic Development and Aviation Project Management staffs are leveraging the outreach and promotion of this renovation project through the PortGen program. This targeted outreach and promotional program will help maximize small and underutilized business interest from the local communities wanting to do business with the Port.

Schedule

Activity

Design start	2018 Quarter 1
Construction start	2018 Quarter 3
In-use date	2019 Quarter 2

Cost Breakdown

	This Request	Total Project
Design	\$439,000	\$600,000
Construction	\$1,500,000	\$1,500,000
Total	\$1,939,000	\$2,100,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Expand the Alaska Cargo building to create additional space for the Alaska Airlines Fleet Services.

Cost Implications: \$5M

Pros:

- (1) This option would create the additional leased space that is needed by Alaska Fleet Services.
- (2) This option would create new lease revenue for the Port.

Cons:

- (1) The cost of this alternative is higher than the other options.
- (2) This alternative would take away needed space from the cargo area.
- (3) The schedule would not meet the needs of the Alaska Fleet Services to move into a new space before the second quarter of 2019 due to loss of space at the North Satellite.
- (4) This alternative will not allow Alaska Airlines to vacate currently leased space on Concourse D, which American Airlines has expressed desire in leasing.

This is not the recommended alternative.

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Alternative 2 – Move Alaska Fleet Services to the Transiplex location.

Cost Implications: \$2.5M

Pros:

- (1) This option would create the additional space that is needed by Alaska Fleet Services.

Cons:

- (1) The area available at the Transiplex location does not have adequate parking available.
- (2) The schedule would not meet the needs of the Alaska Fleet Services to move into a new space before the second quarter of 2019.
- (3) This project would require the Port to reimburse the airline, as an expense, through a Tenant Improvement project since the building owner is not the Port of Seattle.
- (4) This option would not generate lease revenue for the Port.
- (5) This alternative will not allow Alaska Airlines to vacate currently leased space on Concourse D, which American Airlines has expressed desire in leasing.

This is not the recommended alternative.

Alternative 3 – Bring the Concourse C Ramp space up to current code and make it leasable for Alaska Fleet Services as a separate project.

Cost Implications: \$2,100,000

Pros:

- (1) This alternative provides an additional leasable space on Concourse C, which Alaska Airlines will use for their Fleet Services Operations.
- (2) This alternative will allow Alaska Airlines to vacate currently leased space on Concourse D, which American Airlines has expressed desire in leasing.
- (3) This alternative meets the schedule requirements to move Alaska Airlines Fleet Services operations from the NorthSTAR project area.
- (4) This alternative is the least expensive.

Cons:

- (1) This alternative requires capital expenditure.
- (2) This alternative introduces a separate construction project to a small site that will concurrently accommodate three other projects (North STAR, Concourse C Power Center, and the Restroom Upgrades Projects) and will require additional coordination efforts. Project risks are higher given this situation.

This is the recommended alternative.

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FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$2,100,000	\$0	\$2,100,000
AUTHORIZATION			
Previous authorizations	\$161,000	\$0	\$161,000
Current request for authorization	\$1,939,000	\$0	\$1,939,000
Total authorizations, including this request	\$2,100,000	\$0	\$2,100,000
Remaining amount to be authorized	\$2,100,000	\$0	\$2,100,000

Annual Budget Status and Source of Funds

The Concourse C Ramp Space Renovation project C800986 was not included in the 2018-2022 capital budget and plan of finance. The budget was transferred from the Aeronautical Allowance C800753 resulting in no net change to the Airport capital budget. The funding source will be the Airport Development fund.

Financial Analysis and Summary

Project cost for analysis	\$2,100,000
Business Unit (BU)	Airfield Apron
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase
IRR/NPV (if relevant)	N/A
CPE Impact	\$0.01 in 2020

Future Revenues and Expenses (Total cost of ownership)

Aviation Maintenance anticipates minimal impacts to Operating and Maintenance costs for the electrical and mechanical systems as a result of the scope of this project.

ADDITIONAL BACKGROUND

None

ATTACHMENTS TO THIS REQUEST

1. Map Addressing Locations Considered

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None