



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8b

ACTION ITEM

Date of Meeting June 26, 2018

DATE: June 8, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Jeffrey Brown, Director, Aviation Facilities and Capital Programs
Jim Schone, Director Commercial Management
Wayne Grotheer, Director, Aviation Project Management Group

SUBJECT: C1 Building Project Planning Funds Request (CIP #C800845)

Amount of this request: \$500,000

Total estimated project cost: To be determined at conclusion of
planning and programming phase

ACTION REQUESTED

Request Commission authorization for the Executive Director to proceed with program development, advance planning, and project definition for an expansion of the C1 Building at Seattle-Tacoma International Airport for an amount not to exceed \$500,000.

EXECUTIVE SUMMARY

The C1 Building Project will construct four additional floors on top of the existing C1 Building, which is located adjacent to Gate C3 and between Concourses C and D at Sea-Tac Airport (see Attachment A, Slide 2). This proposed building expansion will provide additional airport dining and retail opportunities on the concourse level, as well as provide needed office space and premium lounge space to answer the unmet demand from our existing tenants on the upper levels.

JUSTIFICATION

Over the last decade, leasable space post-security at Sea-Tac has become almost non-existent due to the continued growth of airlines and tenants' operational and administrative needs. Additionally, the demand for increased airport dining and retail space post-security has significantly outpaced availability across the airport. Therefore, staff has identified the C1 Building area as a key location where the terminal can be expanded without the consumption of additional real estate (building up rather than out). There are no other viable options for expanding the terminal without significant negative impacts to existing capacity or operational areas.

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Staff has developed a preliminary business case that shows a positive return on investment. Further detailed planning, programming, and project definition is needed to ensure both costs and revenues are feasible and viable.

DETAILS

The C1 Building is an existing three-level structure that was built to house the C1 in-line baggage screening system (on the baggage claim and bridge levels) that supports Alaska Airlines. Additionally, the building currently houses over 12,000 square feet of concession space and nearly 12,000 square feet of administrative and operational space on the Concourse Level leased by the Transportation Security Administration (see Attachment A, Slide 3).

During the design of the building, the airport contemplated a larger building with additional floors. While it was not constructed this way, the building did incorporate the capacity to add additional floors at a later time. However, the current plan adds more floors than were in the original design and seismic codes have changed significantly. With that said, staff believes that the C1 Building is currently the best and most cost-effective opportunity to expand for Airport Dining and Retail (ADR), Tenant, and Passenger needs at Sea-Tac.

Airport staff has received specific requests from multiple tenants for expanded space currently unavailable at Sea-Tac. Additionally, staff has validated demand for this expanded space as part of the Airport Dining and Retail redevelopment plan, as well as early findings from a Terminal Office Space study. This C1 Building project will provide needed space to meet the current demand level, and additional future expansion will be required to meet future demand forecasts.

A potential expansion concept has been developed as part of a previously authorized Planning Services IDIQ. (see Attachment B, video)

With this authorization the project team will be able to confirm the project justification and business case, tenant program requirements, preferred alternative, project budget, and a detailed phasing and delivery program.

The proposed C1 Building expansion project would provide expanded airport dining and retail opportunities, expanded passenger restroom facilities, and a public meditation room on the concourse and mezzanine levels. Demand for additional tenant office space and premium passenger lounge amenities to meet existing demand, would be accommodated on the upper levels.

Through this detailed C1 Building expansion project development, we will develop a phased sequencing schedule and staff will be able to determine potential impacts to the current C1 Building tenants including ADR concessionaires.

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Depending on how the construction phasing is established, some buyout of concessionaires may be necessary. The project will work to develop alternatives to limit those impacts. Although an approved project sequencing will take time to develop, staff is currently discussing this possibility with the potentially affected tenants. With the current understanding of the schedule, construction could potentially impact these areas in late 2021 or early 2022.

This project has no linkages to the Sustainable Airport Master Plan (SAMP). The requirements for the project have been developed from existing ADR, passenger experience, and tenant office and lounge space demand criteria.

Scope of Work

- Perform a thorough investigation of the preliminary business case justification to affirm positive opportunity and a sufficient return on investment.
- Develop the project definition manual (PDM) that will capture the Aviation Division’s requirements for hand-over to Aviation Project Management Group for further design development and project execution.
- Develop a phased sequencing plan for existing building operation and tenant repositioning to be used in developing the project delivery schedule.
- Provide and validate a detailed cost estimate based on scope, schedule and project sequencing.
- Analyze and determine most effective project delivery method.

Schedule

Activity

Commission authorization to continue planning and programming effort	2018 Q2
Alternative concepts analysis complete	2018 Q4
Return to Commission with preferred alternative, delivery method and overall project budget and schedule	2019 Q1

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – *Defer Action*

Cost Implications: Approximately \$250,000 of preliminary project planning and concept development funds spent to date would need to be expensed.

Pros:

- (1) Postpones further investment potentially making funding available for other priorities

Cons:

- (1) Does not deliver needed space for new concessions and passenger amenities.

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- (2) Does not realize an opportunity for improved passenger experience and growth in non-aeronautical revenue
- (3) Does not answer the significant outstanding tenant demand that exists for additional office and lounge space that the Airport currently cannot accommodate.
- (4) Does not provide additional jobs need to support the Port’s Century Agenda

This is not the recommended alternative.

Alternative 2 – Authorize additional funds for project definition and delivery details

Cost Implications: \$500,000, Total project budget estimate \$200 million - \$300 million

Pros:

- (1) This project shows a positive business case and provides additional lounge, Airport Dining and Retail, office and passenger amenity space that is in short supply and greatly needed.
- (2) Additional engineering and planning funds will allow us to further define the project and provide a more precise project definition, budget and the delivery and phasing specifics that are required to be understood for a facility that has critical operations and spaces currently inside the footprint.
- (3) Secures a significant opportunity in Airport Dining and Retail, passenger amenity and tenant lease space in one project.
- (4) Advances the realization of supporting job creation and economic opportunities

Cons:

- (1) This expansion project could constrain future financial flexibility in the support of other priorities.
- (2) This project will most likely require the relocation or buyout of existing tenants, which will be factored into the business case evaluation. We are communicating with tenants about the possibility.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
AUTHORIZATION			
Previous authorizations	\$300,000		\$300,000
Current request for authorization	\$500,000	0	\$500,000
Total authorizations, including this request	\$800,000	0	\$800,000
Remaining amount to be authorized	TBD	TBD	TBD

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Financial Analysis and Summary

This project was approved for inclusion in the Aviation capital plan in 2016 with an estimated cost of \$50 million for a substantially smaller and simpler project. Recent planning work indicates the need for a larger project due to increased demand, and will cost significantly more (\$200 million - \$300 million). This initial project planning and definition work will be funded by the Airport Development Fund.

The financial implications of this project, including the impact on passenger airline cost per enplaned passenger (CPE), and the validation of the business case, will be done upon the completion of this preliminary project planning scope of work.

Future Revenues and Expenses (Total cost of ownership)

An important part of the exploration of the design concept will be development of total cost of ownership estimates. Therefore, no total cost of ownership information is available at this time but will be included in future requests for commission action.

ATTACHMENTS TO THIS REQUEST

- A. Presentation Slides
- B. Video - C1 Conceptual Walk-through

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None