



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 10d

**ACTION ITEM**

**Date of Meeting** December 14, 2021

**DATE:** December 3, 2021

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Jeff Moken, Interim Director, Aviation Business and Properties  
Wayne Grotheer, Director, Aviation Project Management

**SUBJECT: Concourse A Port Shared Use Lounge (C801207)**

**Amount of this request:** \$ 6,000,000

**Total estimated project cost:** \$ 24,726,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to (1) execute a contract for design services, and (2) complete design for the Concourse A Port Shared Use Lounge Project at Seattle-Tacoma International Airport for an estimated cost of \$6,000,000. The total estimated project cost is \$24,726,000.

**EXECUTIVE SUMMARY**

This project will expand and develop the Port shared use lounge located on Concourse A at Seattle-Tacoma International Airport (Airport). It will expand into space that will be constructed by Delta Air Lines, Inc. as part of the Concourse A Building Expansion for Lounges project (CIP #C801205), under a tenant reimbursement agreement. The design of that project was authorized by the Port of Seattle Commission in April 2021 and is currently 90 percent complete.

This project will develop/re-develop approximately 16,000 square feet (SF) of space on the mezzanine level of Concourse A. It will build out a new, expanded shared use lounge, common circulation space, and prepare adjacent non-lounge space into leasable space.

**JUSTIFICATION**

With the Airport's International Arrivals Facility (IAF) converting Concourse A gates into international capable gates, the Port anticipates a greater number of international departures on Concourse A. The Port currently has two shared use lounges, one located at the South Satellite and another located on Concourse A (currently operating under "The Club at SEA" brand), which currently serves international airlines, priority pass members, and walk-up guests. Based on pre-pandemic volumes, guest levels had increased a total of 390% in both shared use lounges and 899% in Concourse A lounge alone since 2015. As international traffic is now returning, and we

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have seen a resurgence of domestic passenger levels, we feel confident that by the time this lounge is constructed, demand will more than have returned to utilize the additional space.

This project expands the shared use lounge located on Concourse A, where we are projecting over 220,000 guest visits to the Club on the Concourse annually, post pandemic. The lounge today is not large enough to meet this demand, evidenced by the lounges turning away an average of 861 passengers per month in 2019. Additionally, once the IAF project is online, it will be bringing additional international departures to Concourse A. Lastly, the aging condition and lack of Port capital investment in the current lounge facilities has led to negative customer feedback and poor industry standard Skytrax ratings. These investments will improve those customer service metrics.

The project can also be justified from a financial analysis perspective. Including the \$14 million allocated share of the Concourse A Building Expansion project, this project generates a \$4.1 million positive net present value.

***Diversity in Contracting***

The project team worked with the Diversity in Contracting team to establish a women-and minority-owned business enterprise (WMBE) aspirational goal of 13% for the procurement of the design consultant.

**DETAILS**

This project’s expansion and redevelopment is facilitated by the Concourse A Building Expansion for Lounges project. That project will increase the space available on the mezzanine level for the Port-shared use lounge. This opportunity to expand the existing footprint will allow the Club at SEA on A to meet projected passenger demand, increase non-aeronautical revenue, improve customer service, as well as strengthen the Port’s ability to serve premium international airlines who don’t have access to an exclusive lounge at the Airport.

This project will build out the entire 16,000 SF floor plate made available by the Concourse A Building Expansion for Lounges project. The space breakout is as follows:

- (1) 12,000 SF Port shared use lounge
- (2) 2,800 SF of future leasable office space
- (3) 1,200 SF of circulation and ancillary space

The expanded lounge will serve passengers from up to 4 concurrent international wide-body flights, providing an increased level of service with food and beverage service, showers, business services, power outlets at every seat and strong Wi-Fi coverage.

The lounge construction will need to be phased to allow the Club at SEA on Concourse A to remain in operation in its current location during construction of the building expansion project. The

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lounge project team is working with the building expansion for lounges project team to determine the best approach to phasing both projects.

The Concourse A Port Shared Use Lounge has been identified as a “tier two project” under the Port’s Sustainable Project Framework. The project scope was determined to have limited opportunities to integrate sustainability beyond LEED certification because the energy-related systems and transportation categories (e.g., HVAC, building envelop, EV charging stations etc.) are provided through the Concourse A Building Expansion for Lounges project noted above. However, the project is required to obtain, at minimum, LEED Silver certification for commercial interiors for the Club at SEA.

***Scope of Work***

The project will complete the following:

- (1) Build a lounge that is large enough to meet capacity demand by international airline customers, third party membership guests (i.e., Priority Pass) and domestic walk-up customers.
- (2) Equip the lounge with food and beverage service, showers, business services and a variety of seating units including power at every seat.
- (3) Offer strong Wi-Fi coverage, most likely requiring a dedicated communications equipment room.
- (4) Obtain, at minimum, LEED Silver certification for interior design and construction.
- (5) Build out space on the floorplate not used for the lounge as leasable space.

***Schedule***

It is anticipated that construction of this project will begin after completion of the mezzanine level of the building expansion project is complete, currently scheduled for 2023 Quarter 1. The building expansion project will itself be complete in 2023 Quarter 3.

*Activity*

Design start	2022 Quarter 1
Commission construction authorization	2022 Quarter 4
Construction start	2023 Quarter 1
In-use date	2024 Quarter 1

***Cost Breakdown***

	This Request	Total Project
Design	\$6,000,000	\$6,140,000
Construction	\$0	\$18,586,000
<b>Total</b>	<b>\$6,000,000</b>	<b>\$24,726,000</b>

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

Several alternatives were investigated during the development of this project.

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**Alternative 1** – Do not construct a remodeled shared use lounge at the Airport

Cost Implications: \$0

Pros:

- (1) Lowest cost alternative

Cons:

- (1) This alternative would not provide the needed space to accommodate the post-IAF passenger demand and would require international airlines to seek other means to cater to their first-class passengers.
- (2) This alternative does not achieve any of the Port’s goals for lounges, including providing premium lounge space as it contracted to with multiple international airlines.
- (3) Fails to meet the Port’s anticipated lounge demand and anticipated level of service to support international operations on Concourse A.

This is not the recommended alternative.

**Alternative 2** – Remodel within the footprint of the current Club at SEA on Concourse A only

Cost Implications: \$9,000,000

Pros:

- (1) Lower cost than expanding the lounge.

Cons:

- (1) While the remodeled existing lounge footprint would bring greater appeal, it would not be able to serve the growing demand and passengers would continue to be turned away.
- (2) Would not utilize the expanded footprint made available by Delta’s lounge expansion project.
- (3) This alternative does not achieve any of the Port’s goals for lounges, including providing premium lounge space as it contracted to with multiple international airlines.
- (4) Fails to meet the Port’s anticipated lounge demand and anticipated level of service to support international operations on Concourse A.

This is not the recommended alternative.

**Alternative 3** – Build out the entire floorplate provided by the Building Expansion for Lounges project.

Cost Implications: \$24,726,000

Pros:

- (1) Meets the Port’s anticipated lounge demand and anticipated level of service to support international operations on Concourse A
- (2) Provides additional capacity to accommodate lounge guests that would otherwise be turned away, while increasing the Port’s lounge revenue opportunities.

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- (3) Improves the Port’s shared lounge level of service and likely Skytrax common use lounge customer service ratings
- (4) Provides an important asset to support IAF conversion of Concourse A gates to international gates, and supports attracting and accommodating new and existing airline partners expanded service at SEA
- (5) Provides additional leasable non-lounge space that will increase Port revenues.

Cons:

- (1) Highest cost alternative

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

<b><i>Cost Estimate/Authorization Summary</i></b>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$22,000,000	\$0	\$22,000,000
Current change	\$1,951,000	\$775,000	\$2,726,000
Revised estimate	\$23,951,000	\$775,000	\$24,726,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$140,000	\$0	\$140,000
Current request for authorization	\$6,000,000	\$0	\$6,000,000
Total authorizations, including this request	\$6,140,000	\$0	\$6,140,000
Remaining amount to be authorized	\$17,811,000	\$775,000	\$18,586,000

***Annual Budget Status and Source of Funds***

This project, CIP C801207, was included in the 2022-2026 capital budget and plan of finance with a budget of \$23,951,000. The funding source would include Airport Development Fund and revenue bonds.

***Financial Analysis and Summary***

Project cost for analysis	\$24,726,000+\$14M share of capital cost = \$38,726,000
Business Unit (BU)	Non-aero
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase due to capital (and operating) costs
IRR/NPV (if relevant)	The business case/NPV analysis will include the allocated investment from the Concourse A Lounge Expansion project and the costs of this project. Incremental NPV \$4.1 million
CPE Impact	None

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***Future Revenues and Expenses (Total cost of ownership)***

Maintenance, utilities, and janitorial costs will be incurred, and will be based on the completed design. Revenues are expected and are included in the Financial Analysis above.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

April 27, 2021 – The Commission authorized design and a tenant reimbursement agreement for the Concourse A Building Expansion for Lounges project.