



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8b

ACTION ITEM

Date of Meeting September 24, 2024

DATE: September 16, 2024

TO: Stephen P. Metruck, Executive Director

FROM: Jeff Wolf, Director, Aviation Commercial Management
Eileen Francisco, Director, Aviation Project Management

SUBJECT: Rental Car Facility (RCF) Customer Service Building Re-Demising Preliminary Funding (#C801209)

Amount of this request: \$2,000,000

Total estimated project cost: \$11 to \$19 million

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) execute a project-specific design services contract, and (2) complete preliminary project work for the RCF Customer Service Building Re-Demising project at Seattle-Tacoma International Airport (SEA) for a total authorization of \$2,000,000.

EXECUTIVE SUMMARY

The RCF began operations in May 2012 and the original ten (10)-year concession agreement, a component of the lease, expires in May 2027, as an additional five (5) years was approved by Commission in 2021 as part of Covid relief efforts. This project supports the rebidding of the concession agreement securing a vital source of non-aeronautical revenues for SEA. The project will also renovate the existing restrooms in the Customer Service Building, located on the fifth floor of the RCF, improving the customer and worker experience as the heavily used restrooms need refurbishment. Due to the concession agreement re-bid schedule, and the need to procure a project-specific design services contract, Port staff have deferred the completion of project definition. This will be completed through the requested preliminary design effort and before additional authorization by the Commission is requested.

JUSTIFICATION

This project supports the Century Agenda strategic goal to advance this region as a leading tourism destination and business gateway by 1) continuously improving the operational efficiency and customer experience at SEA, and 2) by meeting the region's air transportation needs by delivering vital facilities and infrastructure in a sustainable and cost-effective manner. The RCF is a major facility and is the primary operating location for most rental car providers at SEA. Re-bidding the tenant areas will allow for improvements to the operational efficiency of

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the facility considering the changes in market positions of the rental car companies over the last 15 years. The renovation of the restrooms will improve the customer and worker experience. In 2023, approximately 4.6 million passengers utilized the RCF and generated \$46.5 million in concession/land rent revenues to the Port, and \$41.6 million in customer facility charge (CFC) revenues. CFCs are fees paid by customers and remitted to the Port as part of each rental car transaction to help fund repayment of the debt used to construct the RCF as well as other operating expenses, such as the busing system to and from the airport terminal.

Diversity in Contracting

The project team is working with the Diversity in Contracting Department to set an aspirational goal for women and minority business enterprises (WMBE) participation in the design services contract.

DETAILS

The RCF supports the majority rental car operations at SEA (note: some smaller companies operate “off-airport” and don’t utilize the facility except for busing operations) and opened in May 2012. The Port and the rental car industry have a thirty-year lease with an accompanying 15-year concession agreement (originally the concession agreement was ten years, but as noted above, was extended to 15 years). The existing concession agreement expires in May 2027 and defines the blocks of operating space for each rental car tenant utilizing the facility. This project supports the rebidding of the RCF concession agreement that will determine the blocks of space for each tenant for the next 15 years. This project will build new blocks for each tenant, including new space within the Customer Service Building located on the fifth floor of the facility and the primary customer-facing operating areas for rental car companies. Each tenant is responsible for their own tenant improvements, while the Port is responsible for improvements to the base building.

The project will also renovate the existing customer restrooms located within the Customer Service Building, and potentially include other renewal/replacement scope, which will be determined as part of the preliminary design effort associated with this request. A high-level condition assessment is being conducted on the building and should be complete by early 2025 to also help inform the upcoming design effort. Additionally, there have been a few code revisions since the building was designed and the work may require additional regulatory upgrades. The preliminary overall budget for this project is \$10.5 million and may not be adequate to support the completion of the work. With this request, Port staff plan to complete preliminary design to define the scope of the improvements, including any potential regulatory requirements, before securing additional funding and pursuing project authorization.

Scope of Work

The scope of work includes interior walls/finishes, HVAC, lighting, restrooms, utilities, signage, and other regulatory improvements. The project is planned to be delivered through the traditional design-bid-build project delivery approach. However, it may be appropriate to

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deliver a portion of the work through a tenant reimbursement agreement. This will be determined as part of the preliminary design effort.

Schedule

Construction of the improvements needs to begin by June 2027 in support of the new concession agreement.

Activity

Design start	Q2 2025
Commission project authorization	Q3 2025
Construction start	Q2 2027
In-use date	Q4 2028

Cost Breakdown

	This Request	Total Project
Design	\$2,000,000	\$1.9-\$3.4 million
Construction	\$0	\$9.1-\$15.6 million
Total	\$2,000,000	\$11-\$19 million

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – No Action, the existing concession agreement expires

Cost Implications: \$46.5 million in annual concession/land rent revenues at risk

Pros:

- (1) No capital investment required by the Port.

Cons:

- (1) The Port does not meet its contractual obligations to the rental car industry.
- (2) Puts at risk the concession revenues derived from rental car operations.
- (3) Customer restrooms are not renovated and continue to degrade.

This is not the recommended alternative.

Alternative 2 – Complete improvements for re-bid only (no restroom upgrade)

Cost Implications: \$11 million

Pros:

- (1) Minimal capital investment required by the Port.
- (2) The Port meets its contractual obligations to the rental car industry.
- (3) Preserves the concession revenues derived from rental car operations.

Cons:

- (1) The customer restrooms are not renovated and would be completed later as a separate major maintenance project with higher overall costs to the Port.

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This is not the recommended alternative.

Alternative 3 – Complete all improvements

Cost Implications: \$13.5 million

Pros:

- (1) The Port meets its contractual obligations to the rental car industry.
- (2) Preserves the concession revenues derived from rental car operations.
- (3) The customer restrooms are renovated improving customer service.

Cons:

- (1) Requires higher capital investment by the Port.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$10,545,410	\$0	\$10,545,410
AUTHORIZATION			
Previous authorizations	\$0	\$0	\$0
Current request for authorization	\$2,000,000	\$0	\$2,000,000
Total authorizations, including this request	\$2,000,000	\$0	\$2,000,000
Remaining amount to be authorized	\$9-\$17 million	\$0	\$9-\$17 million

Annual Budget Status and Source of Funds

This project #C801209 was included in the 2024-2028 capital budget and plan of finance with a total budget of \$10,545,410. This project will be primarily funded by the Customer Facility Charge (CFC) revenues. Portions of work supporting the Small Operator Area are not eligible for CFC use, as the agreement with the rental car companies obligates the Port to pay for Small Operator Area improvements.

Financial Analysis and Summary

Project cost for analysis	\$11 to \$19 million
Business Unit (BU)	Rental Cars
Effect on business performance (NOI after depreciation)	NOI after depreciation will decrease.
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

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Future Revenues and Expenses (Total cost of ownership)

Per the terms of the lease agreement the operation and maintenance costs for the Rental Car Facility are borne by the rental car industry. Completing the project improvements and supporting the new concession agreement protects SEA's rental car concession revenues.

ADDITIONAL BACKGROUND

The Port has completed work, or has other work underway, at the RCF over the past few years. This includes the following projects:

- RCF Pavement Remediation (#C800977): This project has two phases of work. Phase 1 includes the installation of a perimeter anti-climb security fence and pavement remediation and was completed in August 2021. The pavement remediation included the overlay of the S 160th St. bus entrance and the replacement of the expansion joints and several concrete panels on the fifth floor of the facility. Phase 2 includes the replacement of the weatherproofing membrane in the employee parking area on the fifth floor of the facility. This work is currently underway and is anticipated to be completed this year.
- RCF Security Improvements (#C801110): This project provided security enhancements that included architectural barriers and egress-only doors in the external stair towers, preventing pedestrian access from ground level. This work was completed in May 2022.
- RCF Boiler Skid 1 and 2 Replacement (#C801325): This project will replace the two boiler skids that are the primary source of heat for the Quick Turn-Around (QTA) buildings. This work is anticipated to be complete by Q3 2026.
- RCF QTA Fire Suppression (#C801412): This project will replace the fire suppression systems in all four of the QTAs in the facility. The fire suppression uses an aqueous film-forming foam that contains per and poly-fluorinated alkyl substances (PFAS) that have been banned in Washington State. Preliminary project work is currently underway, and Port staff plan to request Commission project authorization by Q1 2025 and complete the work by mid-2026.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides