

UTAH'S ECONOMY

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research, University of Utah



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EXPANSION OF THE **SALT LAKE INTERNATIONAL AIRPORT**

The expansion of the Salt Lake International Airport will be one of the largest construction projects in Utah's history. The 10 year project has an estimated cost of \$1.8 billion. Big-D Construction/Holder Construction was awarded the construction contract in October 2013.

Only a few projects have been larger. The Intermountain Power Plant near Delta Utah built in the 1980s at an inflation adjusted cost of over \$3 billion. The reconstruction of I-15 in Salt Lake County prior to the 2002 Olympics with a price tag over \$2 billion. The Central Utah Water Project, built over decades, at a cost of \$2 billion, and the recently completed \$1.8 billion reconstruction of I-15 in Utah County. Two other recent projects are close in size: City Creek Center in downtown Salt Lake City at \$1.5 billion and the National Security Administration (NSA) data center near Bluffdale completed in 2013 at \$1.5 billion.

Why airport expansion? The current layout of the airport was designed 50 years ago. New developments in air transportation, baggage handling, security, earthquake engineering, along with growth in passenger traffic underlie the need for a major expansion. No local tax dollars will be used for the expansion. The expansion will be financed by a combination of airline and passenger user fees, cash and borrowing by the Salt Lake City Airport Authority. The authority has significant cash reserves, no debt, and excellent credit that will reduce borrowing costs. The airport is financially self-sustaining with revenue generated from airline and passenger fees, concessions, vehicle parking, fuel, and leases for office and hangar space. The Salt Lake International Airport is the only major airport in the U.S. with no debt.

The expansion will replace the current three terminal alignment (International Arrival Building, Terminal 1 and Terminal 2) with a single terminal alignment. The new terminal will have three levels and a total of 700,000 square feet. The square footage of terminal, concourse and connector space will increase by 60 percent, from 1 million square feet to over 1.6 million square feet.



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The expansion will also include the construction of new concourses (east and west), a new five-level parking garage which will have 3,363 short-term and long-term spaces, compared to the current garage that has 1,834 spaces and a relocation of the light rail station near the new rental car facility dubbed Quick Turn Around (QTA). At the QTA rental cars will be stored, serviced and cleaned until rented.

No additional runway is planned in the expansion. Currently the Salt Lake International Airport has three commercial runways and a general aviation runway. A fourth commercial runway is anticipated in the next 15 years.

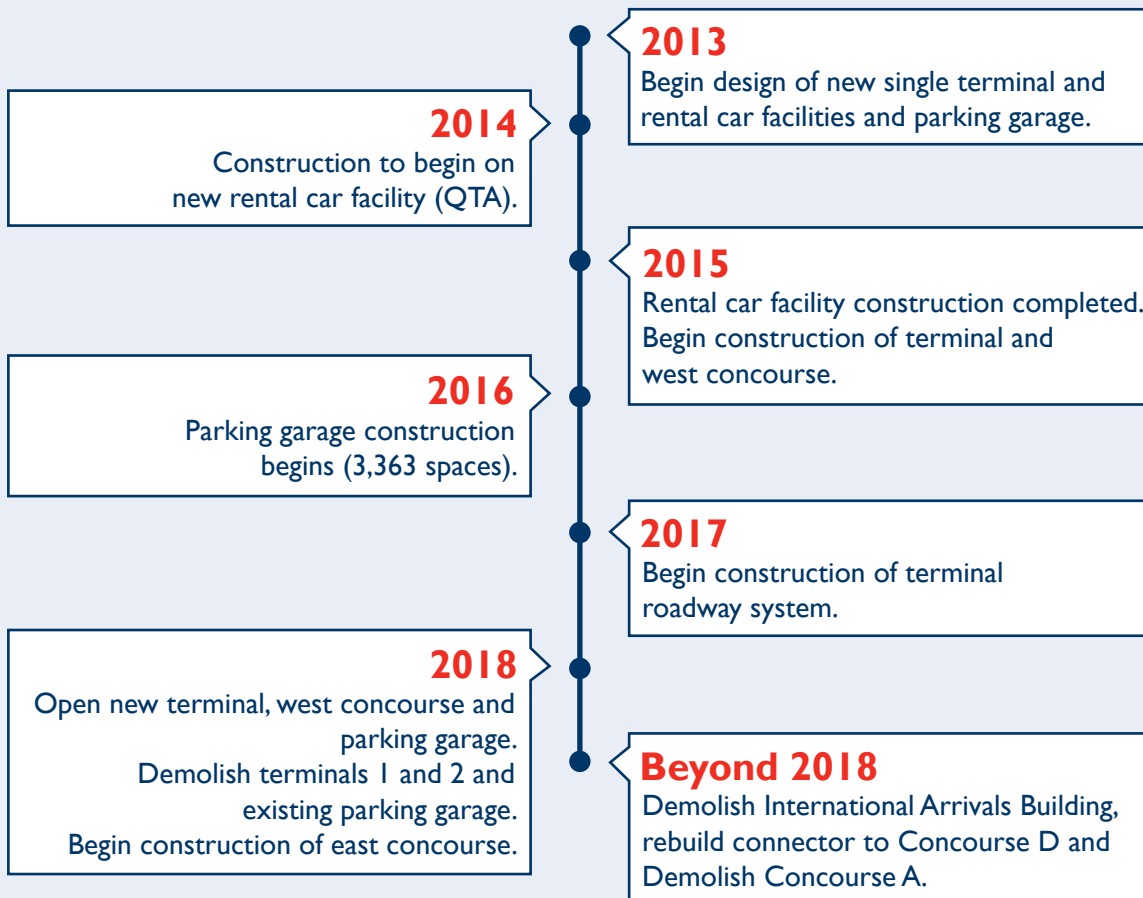
The role of the Salt Lake International Airport in Utah's economic growth has been considerable. Interviews with firms locating or expanding in Utah show that labor considerations (cost, supply and quality) as the most important locational factor followed by the transportation infrastructure. The air transportation industry statewide employs 6,100 people and pays over \$360 million in wages. The employment at the Salt Lake International Airport and the surrounding area totals 17,400 (bounded by I-80 on the south, I-215 on the east and the

airport boundaries on the north and the Salt Lake International Center west of the airport.) Nearly 40 percent or 6,000 jobs in this area are in the manufacturing sector, which includes the 4,500 jobs at L-3 Communications, 1,500 jobs in transportation, 1,600 in administrative support, 850 in restaurants, hotels and motels.

When Delta Air Lines purchased Western Airlines in 1987 they inherited the Salt Lake hub which has been very important to air service in Utah. Of the 645 departures and arrivals, 74 percent are Delta Air Lines flights. Delta has seven domestic hubs. The Salt Lake hub is the fourth busiest Delta hub behind Atlanta, Detroit and Minneapolis. The top five destinations for passengers leaving Salt Lake on all seven carriers and their affiliates are: Denver (712,000 passengers), Phoenix (585,000 passengers), Atlanta (497,000 passengers), Los Angeles (486,000 passengers) and Las Vegas (434,000 passengers). Salt Lake International Airport currently ranks as the 24th busiest airport in the U.S. just ahead of Ronald Reagan National Airport in DC and well ahead of airports in several larger metropolitan areas such as San Diego, Portland, Oakland and Kansas City.

TIMELINE

The timeline of the expansion is front-loaded. Most of the major work will be completed by 2018.





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