

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6a</u>
Date of Meeting	<u>July 23, 2013</u>

DATE: July 16, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Michael Ehl, Director, Airport Operations
Wayne Grotheer, Director, Aviation Project Management
SUBJECT: Sea-Tac International Airport International Arrivals Facility (IAF) C800583

Amount of This Request:	\$3,500,000	Source of Funds: Airport Development Fund
Est. Total Project Cost:	Approximately \$300 million	

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) authorize preliminary project funding of \$3,500,000 for the new International Arrivals Facility (IAF) at Seattle-Tacoma International Airport; (2) execute a consultant service agreement for program and project management support services; and (3) authorize the use of Price Factors Design/Build methodology for project delivery of the IAF building to be located adjacent to Concourse A.

SYNOPSIS

The Airport's current international arrivals facility, including Federal Inspection Services (FIS), is located below grade at the South Satellite and has had only one expansion since it opened 40 years ago in 1973. International travel through the Airport has increased significantly since 2004 and a substantial number of these international air travelers arrive during the mid-day peak. The Port welcomes this growth, but it has led to congestion in the over-taxed facility. The Airport's international arrival facility will exceed capacity within five years in many areas such as gates, immigration inspection, baggage claim, security checkpoint, and the satellite transit system train.

An overloaded international arrivals facility will have a detrimental effect on connecting times between international and domestic flights that could place the airport at a competitive disadvantage.. As such, Port staff recommends replacing the current aging facility with a new International Arrivals Facility that will serve the traveling public well into the future.

Development of a capital program to replace the current IAF requires significant resources. We need to begin now in order to meet airline and passenger needs before the current facility becomes completely untenable. There are several initial tasks to complete even though some project definition questions are still being resolved. Beginning initial work now will allow us to proceed rapidly with implementation when these questions are resolved. The project team will

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 2 of 7

return to request further Commission authorization for design of project elements and procurement of design services and construction.

At this time, Port staff is requesting authorization for initial project funding and to execute a consultant service agreement for program and project management services. The total efforts for program management, both staff and consultant, for past programs of similar scope, such as the Rental Car Facility and NorthSTAR, have been in the range of 5.5% - 6.6%. If applied to the current IAF cost estimate (for the single facility option) the total effort for program management services would be \$16,500,000 - \$19,800,000. Staff will develop a detailed staffing plan outlining the mix of in-house and consultant staff as we develop the procurement plan for program and project management services. We also anticipate that a final alternative for the location of the IAF (single or dual facility option) will be chosen before the consultant contract for program management services will be executed. Specific tasks for the consultant program management team will be issued via service directive as the project moves forward in accordance with Port Commission budget authorization in place at the time of service directive execution.

We are also requesting authorization to use a design/build project delivery method (Price Factors Design/Build) for the new IAF building (which is part of both facility options) as authorized by State law that requires State board approval for implementation. We have analyzed this method versus the other methods available (standard Design-Bid-Build process, Lump Sum Design Build, and General Contractor/Construction Manager) based on five criteria – cost, schedule, quality/aesthetics, implementation/risk, and stakeholder involvement. Staff recommends the use of this methodology for the new IAF building because it provides opportunities for innovative teamwork and for the overlap of design and construction, facilitating cost control and a shorter schedule.

Finally, staff anticipates further procurement action for the IAF program following future Commission authorization as required by Resolution 3605. Further procurement includes at least the following elements:

- Design and construction for the IAF building and for the bridge or tunnel.
- Construction management services
- Procurement support for alternative project delivery methods such as Price Factors Design/Build
- Training for Port staff on alternative project delivery method use

BACKGROUND

The Port Commission was briefed on July 9, 2013, about the Airport's nearly 65-year history of service as the Pacific Northwest's preeminent gateway for international air service to many important international markets. In 2012, the Port Commission included making the Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel as a key strategic objective in the Port's Century Agenda. International flights, and their connecting domestic flights, provide significant economic benefit to the Port and the region as a whole. Studies at other airports have shown that the economic benefits of a new international flight extend far beyond those for the flight activity itself via higher concessions and other passenger related revenues, plus increased foreign direct investment and exports of goods and services.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 3 of 7

PROJECT JUSTIFICATION AND DETAILS

The Airport's current international arrivals facility in the South Satellite, including Federal Inspection Services (FIS) facilities, opened in 1973 and has seen only minimal overall facility changes since that time, apart from an expansion in the mid-1980s that increased capacity to 1,200 arriving passengers per hour. Although the international arrivals facility has not grown significantly over the years, the Airport's international air service has grown significantly and continues to grow at a rapid pace, especially during the mid-day peak. The Airport expects announcements of new international service in 2014. However, the peaking nature of airline schedules is even more of a challenge than increased traffic volume. Airlines that depart airports in Europe and Asia for West Coast gateway airports, such as Sea-Tac, typically arrive at mid-day, resulting in congested arrival facilities. This congestion has caused capacity problems in the existing FIS facility today and has discouraged some airlines from scheduling additional arrivals during the mid-day.

In the next five years, anticipated growth will exceed the capacity of the existing facility and lead to connection times longer than the currently published 90 minutes to connect between international and domestic flights. Operational measures have been implemented in conjunction with Customs and Border Protection (CBP), Airport Operations, and the airlines to optimize the capacity of the current facility, but these measures are not anticipated to keep pace with projected growth. Increased connection times risk potential loss of market share to other West Coast airports with more modern FIS facilities.

The Airport's current 40-year old FIS facility has surpassed its design life and needs to be renewed to meet the Port's ambitious Century Agenda goals to remain competitive with other West Coast airports.

Project Objectives

Project objectives for a new international arrivals facility include:

- Accommodate current international travel growth and meet future needs, and be competitive.
- Incorporate current CBP passenger processing procedures and standards.
- Replace aging facilities and improve the international travelers' experience at the Airport.

Scope of Work

This program's scope of work is still being defined, but the largest individual project will be construction of a new IAF facility adjacent and connected to Concourse A. Authorization of the initial project funding included in this request will be used to complete project definition of the entire program, including development of a more precise scope of work. Analysis is currently underway to determine if remodel and reuse of the existing FIS facilities in the South Satellite is recommended in addition to construction of a new landside-located facility and whether the South Satellite and IAF should be connected by a bridge or a tunnel. Port staff will return to Commission to present the results of that analysis later this year. In March 2014, Port staff will request Commission authorization to move the landside facility project forward to procurement of a Price Factors Design/Build team and to begin full design.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 4 of 7

State law authorizes various approaches to Design/Build contracting. The one we propose is called Price Factors Design/Build and includes preparation of initial design documents (also known as bridging documents) by a consultant design team, followed by selection of a separate designer-contractor team based on qualifications and price factors. This contracting method provides opportunities for innovative collaboration between the Port and the designer-contractor team as the design is developed which will facilitate development of a project that effectively competes with other international arrivals facilities on the west coast of North America. This method would allow construction to proceed for early project elements in a fast-track manner, thereby bringing the new IAF into use sooner. As an example, building foundations can be constructed while detailed design is still underway for the rest of the building. Construction costs would be negotiated with the selected team and agreement on costs would be reached sequentially. The initial contract would be awarded with certain agreed cost factors and final construction cost will be negotiated as design packages are finalized.

Schedule

Advertise for consultant program management services	Aug 2013
Award consultant program management services contract	Oct 2013
Project Definition Complete	Feb 2014
State of WA Project Review Committee Approval of Alternative Contracting	Mar 2014
Commission Authorization to Procure Design/Build Team and Begin Design	Mar 2014
Price Factors Design/Build RFP and Design Complete	Aug 2014
Price Factors Design/Build Team Selected	Jan 2015
Commission Authorization for Construction	Nov 2015
Design Complete	Feb 2016
Construction Complete	Apr 2018

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$0	\$0	\$0
Previous Authorizations	\$0	\$0	\$0
Current request for authorization	\$3,500,000	\$0	\$3,500,000
Total Authorizations, including this request	\$3,500,000	\$0	\$3,500,000
Remaining budget to be authorized	TBD	TBD	TBD
Total Estimated Project Cost	TBD	TBD	TBD

Project Cost Breakdown

	This Request	Total Project
Outside Professional Services	\$1,500,000	TBD
Port Soft Costs	\$1,300,000	TBD
Environmental Review	\$430,000	TBD
Management Reserve	\$270,000	TBD
Total	\$3,500,000	TBD

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 5 of 7

Budget Status and Source of Funds

This project was included in the 2013-2017 capital budget and plan of finance as a business plan prospective project. The funding source for this initial authorization request will be the Airport Development Fund (ADF). The funding sources for the total project budget will include the ADF, future revenue bonds, grants, and Passenger Facility Charges (PFCs).

Financial Analysis and Summary

CIP Category	Renewal/Replacement
Project Type	Renewal/Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	TBD, but estimated at approximately \$300,000,000
Business Unit (BU)	Terminal, FIS Cost Center
Effect on business performance	N/A
IRR/NPV	N/A
CPE Impact	CPE will increase. The amount will be dependent upon future operating and maintenance costs as well as the combination of funding sources for the capital project, as PFC and grant funded costs are excluded from airline rate base.

Lifecycle Cost and Savings

This will be fully analyzed during project design consistent with Port policy on sustainable asset management.

STRATEGIES AND OBJECTIVES

This project addresses the Port's Century Agenda strategic objective to advance this region as a leading tourism destination and business gateway by making Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel.

This project also addresses the Aviation Division's strategic objectives to become one of the top ten customer service airports in the world by 2015 and to operate a world-class international airport by ensuring safe and secure operations and by anticipating and meeting needs of tenants, passengers and the region's economy.

TRIPLE BOTTOM LINE

Economic Development

Construction of a new IAF facility will allow the Port to keep pace with current international air travel growth and position the Airport to attract new international air service. International air service has a direct positive economic impact, but also contributes to increased concessions and other passenger-related revenues. Studies at other airports have also shown that the addition of new international air service routes provide a substantial boost to the local economy through increased foreign direct investment and exports of goods and services.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 6 of 7

Environmental Responsibility

Construction of a completely new facility at the Airport is rare and gives the Port unique opportunities to incorporate sustainable features into the design and construction of the building. Identifying sustainability goals and objectives for the new IAF is high on the priority list for the definition phase of this project. If the airport is to meet the Century Agenda energy goal of meeting future load growth through conservation or renewable energy, this new facility presents a unique opportunity to advance our progress towards this goal. These goals and objectives will be presented to the Port Commission in March 2014 when the project team requests authorization to begin development of the Price Factors Design/Build request for proposal.

Community Benefits

This project benefits the local community because arriving to a new modern IAF, instead of an aging facility, gives foreign visitors an improved first impression of the SeaTac area. In addition, the new facility will create an opportunity for additional international service to and from the Seattle region that will bring economic benefits to the community.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Do nothing. This alternative would await further IAF alternative and budget definition before authorizing initial project expenditures, program and project management contracting, and project delivery method for the IAF building. This alternative is not preferred as it would delay ultimate completion of the IAF. This is not the recommended alternative.

Alternative 2) – Authorize initial project expenditures and program and project management contracting but defer the decision on project delivery method for the IAF building. This alternative is not preferred as it would also delay completion of the IAF but to a lesser degree than Alternative 1. This is not the recommended alternative.

Alternative 3) – Authorize initial project expenditures, program and project management contracting, and Price Factors Design/Build project delivery method for the IAF building. This alternative allows the project to proceed expeditiously on critical path project tasks that are needed regardless of the pending project alternative decisions (single or split operations facility, bridge or tunnel to connect the IAF building to the South Satellite). The results of further staff work on project alternative decisions will be presented to the Commission this fall and further project authorization will be sought in the winter of 2014. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- July 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- July 9, 2013 – Alternative Public Works Contracting Briefing.
- April 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- June 26, 2012 – Airport Terminal Development Challenges at Seattle-Tacoma International Airport.

COMMISSION AGENDA

Tay Yoshitani, Chief Executive Officer

July 16, 2013

Page 7 of 7

- June 14, 2011 – International Air Service Growth and Future Facility.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.