

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6b
Date of Meeting	March 11, 2014

DATE: February 28, 2014
TO: Tay Yoshitani, Chief Executive Officer
FROM: Elizabeth Leavitt, Director, Aviation Planning & Environmental Programs
Wayne Grotheer, Director, Aviation Project Management Group
Michael Ehl, Director, Airport Operations

SUBJECT: Seattle-Tacoma International Airport International Arrivals Facility (IAF) (CIP #C800583)

Amount of This Request:	\$15,400,000	Source of Funds:	Airport Development Fund
Est. Total Project Cost:	\$316,000,000		
Program Authorization Including this Request:	\$18,900,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) authorize additional project funding of \$15,400,000 for the new International Arrivals Facility (IAF) at Seattle-Tacoma International Airport; (2) authorize an amendment to the existing Sustainable Airport Master Plan service agreement with Leigh Fisher Associates for IAF-related planning tasks for an increase of \$3,650,000 for a new total contract amount of \$9,650,000; ~~(3) advertise for qualifications and proposals from a design-build team;~~ (4) approve use of a project labor agreement (PLA) covering the IAF program; ~~and (5) authorize procurement of the South Satellite to Concourse A Connector in the same price factors design-build contract as the IAF building to be located adjacent to Concourse A.~~ In accordance with RCW 53.19.060, this memorandum constitutes notification to the Commission that the amended amount of the Sustainable Airport Master Plan service agreement exceeds 50 percent of the original not-to-exceed contract value.

SYNOPSIS

Replacing Seattle-Tacoma International Airport's existing over-burdened Federal Inspection Services (FIS) facility with a modern and efficient International Arrivals Facility is a critical part of realizing the Port Commission's Century Agenda objective to make the Airport the West Coast "Gateway of Choice" for international travel.

This request is a follow up to the IAF program briefing presented to the Commission on February 25, 2014. The request provides for project management, planning, and other support

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services to facilitate the International Arrivals Facility (IAF) design-build construction program and establishes a PLA for the program. This request will also authorize the advertisement for a single design-build team for both the IAF building and the connector, utilizing a two-step process including shortlisting via a request for qualifications and final selection of the team via a request for proposals. The project was included in the 2014-2018 capital budget and plan of finance. The International Arrivals Facility program was included as an approved project via the current signatory lease and operating agreement, or airline lease. Therefore, no majority-in-interest vote is required for the project.

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 identified the Seattle-Tacoma International Airport as 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.

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-burdened facility. The Airport's international arrivals facility will exceed capacity to process passengers in summer 2014 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 recommended replacing the current aging facility with a new International Arrivals Facility that will serve the traveling public well into the future.

Staff briefed the Commission last year on utilization of the Sustainable Airport Master Plan consultant to complete project planning and definition for the IAF program. As mentioned in our briefing to the Commission on February 25, 2014, completion of this early planning work is critical to providing adequate information to potential design-build firms and for completion of environmental review under the National and State Environmental Policy Acts. Environmental review of the IAF will be completed after the project planning and definition is completed. Staff recommends modifying the Sustainable Airport Master Plan contract with Leigh Fisher Associates to allow completion of the IAF planning necessary for development of the program's technical criteria. Amending the \$6,000,000 service agreement by \$3,650,000 to a new total contract amount of \$9,650,000 increases the total value of the contract by more than 50%.

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Increases over 50% require notification to the Commission in accordance with RCW 53.19.060. Funds associated with this planning are included in this authorization.

Staff recommends the Port negotiate and enter into a PLA for the IAF program major construction contracts to ensure labor harmony, a quality labor force, and a safe and uniform working environment. A PLA will minimize jurisdictional disputes and provide insurance to minimize the potential for lost revenue, increased costs, operational impacts, and construction schedule impacts related to labor disputes or issues. Essentially all crafts will perform work on the program, given the size of this program and varied scopes of work. Due to the length of the program's construction, every collective bargaining agreement associated with these crafts will expire before completion of the program, creating the potential for labor-related delays.

In July 2013, the Commission approved the procurement of the IAF facility utilizing the price-factors design-build procurement methodology. At the time, utilization of design-build procurement for the South Satellite-IAF connector portion of the program was excluded from the request. Now that further analysis has been done, the project team recommends combining the connector with the IAF facility procurement to best facilitate the program's schedule and mitigate risks associated with coordinating two separate contracts. This approach limits the risks associated with timing and coordination efforts of the design development and construction process for the two structures. As with the main IAF, construction costs for the connector will 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. A final decision on utilization of a bridge or tunnel connector will be made prior to advertisement for the RFP.

PROJECT JUSTIFICATION AND DETAILS

The Airport's current international arrivals facility in the South Satellite, including 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 today and has discouraged some airlines from scheduling additional arrivals during the mid-day.

In summer 2014 scheduled flight activity will exceed the capacity of the existing facility. This will require aircraft to be serviced on remote parking areas, and passengers will have to be bused to and from the terminal. This will lead to connection times longer than the currently published 90 minutes to connect between international and domestic flights. Such alternate procedures as remote parking operations, implemented in conjunction with Customs and Border Protection (CBP), Airport Operations, and the airlines to optimize the capacity of the current facility, are

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

Scope of Work

This program's full 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. The final decision on whether the connector to the South Satellite will be a bridge or a tunnel is targeted for March 2014.

Port staff now requests Commission authorization for the following activities:

1. Develop technical criteria for the IAF facility and the connector for procurement of a price factors design-build (DB) team. This effort includes involvement of various internal and external project stakeholders.
2. Allow the Sustainable Airport Master Planning consultant to complete planning and project definition tasks necessary for the development of the IAF technical criteria.
3. Advertise for qualifications and proposals from design-build teams.
4. Enter into a project labor agreement.
5. Procure the connector and the IAF facility together in a single price-factors design-build contract.

Schedule

Advertise for consultant program management services	Completed
Award consultant program management services contract	Completed
Port certification as Design-Build Owner by the State of WA	Completed
Begin quarterly Commission program updates	Completed
Commission authorization to procure design-build team	Q1 2014
Project definition complete	Q2 2014
Price Factors Design-Build RFQ & RFP Advertised	Q3 2014
Price Factors Design-Build Team Selected	Q4 2014
Commission authorization to award design-build contract, begin predesign work	Q1 2015

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Commission authorization to begin Design and Construction

(following design-build team scope, cost and schedule validation)

Q2 2015

Construction Complete

Q2 2018

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget (Phase I)	\$316,000,000	\$0	\$316,000,000
Previous Authorizations	\$3,500,000	\$0	\$3,500,000
Current request for authorization	\$15,400,000	\$0	\$15,400,000
Total Authorizations, including this request	\$18,900,000	\$0	\$18,900,000
Remaining budget to be authorized	TBD	TBD	TBD
Total Preliminary Estimated Project Cost	\$316 million	TBD	\$316 million

The preliminary budget estimate for the first phase of a two-phase facility is \$316 million. This is a preliminary estimate that will be refined as the project planning and definition moves forward.

Project Cost Breakdown

	This Request	Previous Requests
Design and Construction	\$0	\$0
Port and Consultant Project Management	\$5,850,000	\$1,100,000
Technical Criteria Design Development	\$165,000	\$900,000
Port and Consultant Construction Management	\$4,345,000	\$600,000
Project planning and definition	\$2,600,000	\$0
Permitting	\$0	\$100,000
Other Port Soft Costs	\$2,385,000	\$370,000
Environmental Review	\$55,000	\$430,000
State & Local Taxes (estimated)	\$0	\$0
Total	\$15,400,000	\$3,500,000

Budget Status and Source of Funds

This project was included in the 2014-2018 capital budget and plan of finance within CIP #C800583. The funding sources for the total project budget will include the Airport Development Fund, future revenue bonds, grants, and Passenger Facility Charges (PFCs).

The current program budget of approximately \$316 million includes construction of the IAF facility and a bridge connector between the South Satellite and Concourse A. This preliminary program budget will be updated as the scope is further defined and change trends are identified. Recently identified scope additions to incorporate IAF-related airline relocations and to fund an Airline Technical Representative will be included in the next budget update and will increase the

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cost of the overall IAF program. Utilization of a tunnel connector, should the decision to build a tunnel over a bridge be decided, would also increase program costs since Port staff have estimated construction costs of a tunnel to exceed construction costs of a bridge. The IAF team anticipates developing a target cost for IAF construction that will be identified in the RFP for shortlisted design-build teams and authorized by the Commission prior to design-builder contract award. This target will be confirmed and trended as design develops and construction commences.

This project was included in the list of projects approved by the airlines with the signing of the Signatory Lease and Operating Agreement (SLOA III) with a budget of \$300,000,000.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal/Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	TBD, but estimated at \$316,000,000 for Phase I
Business Unit (BU)	Terminal, FIS Cost Center
Effect on business performance	N/A
IRR/NPV	N/A
CPE Impact	CPE is estimated to increase by \$.35 in 2019. 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. All airline rate base costs will be recovered by the users of the IAF through FIS fees.

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.

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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.

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 must exceed current building codes for energy efficiency to advance our progress towards this goal. The project team will consider certifying the IAF with a Leadership in Energy and Environmental Design (LEED) rating as one opportunity to meet the Airport's sustainability goals. All IAF sustainability goals and objectives will be presented to the Port Commission in a project briefing later this year as the project team develops the design-build RFP.

Community Benefits

This PLA project benefits the local community by creating a multitude of living-wage jobs over the next five years. The project team will coordinate with the Port's Office of Social Responsibility to identify small business opportunities in the IAF program. Additionally, arriving to a new modern IAF, instead of to an aging facility, gives foreign visitors an improved first impression of the SeaTac area and the Pacific Northwest region as a whole. 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 project definition before authorizing additional project expenditures. This alternative is not preferred as it would delay ultimate completion of the IAF. This is not the recommended alternative.

Alternative 2) – Authorize additional project expenditures but defer the decision to advertise for a design-build contract. This alternative is not preferred as it would also delay completion of the IAF albeit to a lesser degree than Alternative 1. This is not the recommended alternative.

Alternative 3) – Authorize additional project expenditures to complete Planning work and develop the program's technical criteria, establish a PLA and advertise for a design-build

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contract. This alternative allows the project to proceed expeditiously on critical path project tasks. **This is the recommended alternative.**

ATTACHMENTS TO THIS REQUEST

- None.

FUTURE COMMISSION ACTIONS ANTICIPATED

- Authorization to award contract to design-build team for predesign/validation
- Authorization to begin design and construction; following validation of scope, cost and schedule by the design-build team

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- February 25, 2013 – IAF Program Briefing
- November 19, 2013 – International Arrivals Facility Construction Management, testing and inspection; surveying and locating and safety service agreements.
- July 23, 2013 – International Arrivals Facility Project & Program Support; and Price Factor Design Build Methodology authorization.
- 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 – Briefing on Airport Terminal Development Challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – International Air Service Growth and Future Facility briefing.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.