



**Commissioners**

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**APPROVED MINUTES  
COMMISSION REGULAR MEETING DECEMBER 2, 2014**

The Port of Seattle Commission met in a regular meeting Tuesday, December 2, 2014, at Port of Seattle Headquarters, Commission Chambers, 2711 Alaskan Way, Seattle, Washington. Commissioners Albro, Bowman, Bryant, and Creighton were present. Commissioner Gregoire was absent.

**1. CALL TO ORDER**

The meeting was called to order at 12:02 p.m. by Stephanie Bowman, Commission Co-President.

**2. EXECUTIVE SESSION pursuant to RCW 42.30.110**

The Commission immediately recessed to an executive session estimated to last 60 minutes to discuss matters relating to potential litigation, legal risk, and performance of a publicly bid contract. Following the executive session, which lasted approximately 60 minutes, the regular meeting reconvened in public session at 1:12 p.m.

**PLEDGE OF ALLEGIANCE**

**3. SPECIAL ORDERS OF BUSINESS**

**3a. Motion of the Port of Seattle Commission to rename Bell Street Pier as Paul Schell Center in tribute to the late Port Commissioner Paul E. Schell.**

Presentation document(s) included the .

Presenter(s): Melinda Miller, Director, Real Estate Portfolio and Asset Management; John Oppenheimer, CEO, Columbia Hospitality; and Pam Schell.

Former Mayor Paul Schell died July 27, 2014, at the age of 76. Ms. Miller commented on Mayor Schell's work as a developer, Port Commissioner, and Mayor of Seattle. She noted his passion, vision, and effort to redevelop the Central Waterfront as an interesting, attractive, and economically active location, and to promote the City of Seattle as an internationally recognized place for trade, development, and artistic endeavor. Mr. Oppenheimer commented on Mayor Schell's persistent advocacy for the Bell Harbor Conference Center. Ms. Schell spoke of her late husband's love of Seattle and the Port and his hope for better cooperation between the ports of Seattle and Tacoma.

The motion to rename the Port of Seattle facility at Pier 66 currently known as Bell Street Pier as the Paul Schell Center in tribute to the late Port Commissioner Paul E. Schell carried by the following vote:

**In Favor: Albro, Bowman, Bryant, Creighton (4)**

**Absent for the vote: Gregoire**

**4. UNANIMOUS CONSENT CALENDAR – None.**

**5. PUBLIC TESTIMONY**

Public comment was received from the following individual(s):

- Hayward Evans, Community Coalition for Contracts and Jobs, who commented on the relationship between HMS Host and Autogrill and fair competition for units in the Airport Dining and Retail program.
- Paul Chiles, Seattle, who commented on presentation of a Port of Seattle disparity study.
- Eddie Rye Jr., Community Coalition for Contracts and Jobs, who commented on fairness in providing lease extensions in the Airport Dining and Retail program and the criteria for being considered a minority or disadvantaged business enterprise.
- Lawrence Pang, Seattle Chinese Chamber of Commerce, who commented on interest in small and minority business opportunities with the Port of Seattle.

**6. DIVISION, CORPORATE, AND COMMISSION ACTION ITEMS**

**6a. Second Reading and Final Passage of Resolution No. 3700: A Resolution of the Port Commission of the Port of Seattle declaring Aerial Work Platform No. SPE 527 surplus for Port District purposes and authorizing the Chief Executive Officer to execute all documents necessary for its sale or disposal.**

Request document(s) included a Commission agenda [memorandum](#) and [Resolution No. 3700](#).

There was no presentation at this time; however, the Port Commissioners received the request documents for review prior to the meeting of December 2, 2014.

The motion for [Second Reading and Final Passage of Resolution No. 3700](#) carried by the following vote:

**In Favor: Albro, Bowman, Bryant, Creighton (4)**

**Absent for the vote: Gregoire**

**6b. First Reading of Resolution No. 3701, repealing Resolution No. 3549, as amended: A Resolution of the Port Commission of the Port of Seattle extending the Port's non-discrimination policy to Port contractors for the provision of domestic partner benefits.**

Request document(s) included a Commission agenda [memorandum](#), [Resolution No. 3701](#), and [Resolution No. 3549](#).

Presenter(s): Ralph Graves, Managing Director, Capital Development, and Anne Purcell, Senior Port Counsel.

The presentation on Resolution No. 3701 included the background of adopting, in 1994, the extension of the Port employee benefits available to employee spouses to include domestic partners. At that time, non-discrimination principles were applied to sexual orientation. Subsequently, Resolution No. 3549 extended these benefits to Port contractors. It was reported that Washington's Referendum 74 recognizing same-sex marriage has rendered Resolution No. 3549 unnecessary. Its repeal will not affect the 1994 policy on Port employees' domestic partner benefits.

**The motion for First Reading of Resolution No. 3701 carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Creighton (4)**

**Absent for the vote: Gregoire**

**6c. First Reading and Public Hearing of Resolution No. 3702: A resolution of the Port Commission of the Port of Seattle declaring the Port-owned sewer mains and manhole located within the public right of way on South 170th Street, SeaTac, Washington, to be surplus and no longer needed for port district purposes and authorizing the Chief Executive Officer to execute all documents necessary for transfer of the title of the sewer mains and manhole to the Valley View Sewer District.**

Request document(s) included a Commission agenda [memorandum](#), [Resolution No. 3702](#), and [Valley View Sewer District Warranty Bill of Sale](#).

Presenter(s): George England, Capital Program Leader, Aviation Project Management Group.

The presentation on Resolution No. 3702 noted the action is a condition of site improvements at the Doug Fox lot, which required extension of the Valley View Sewer District sewer main. The project occurred within the limits of the City of SeaTac, which is supportive of the transfer. The assets include 138 feet of sewer main and a sewer manhole valued at \$82,211, which will be accounted for as public expense to the Port.

First Reading of Resolution No. 3702 was moved and seconded.

### **PUBLIC HEARING**

Commissioner Bowman declared the public hearing on Resolution No. 3702 open. There was no testimony at this time, and the hearing was closed.

**The question recurred on the motion for First Reading of Resolution No. 3702, which carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Creighton (4)**

**Absent for the vote: Gregoire**

**6d. Authorization for the Chief Executive Officer to (1) advertise and execute a construction contract for the Runway 16C/34C Reconstruction project; and (2) advertise and execute a project-specific service agreement for special testing and inspection services. This authorization request is for \$99,139,000 and the estimated total cost of the project is \$113,095,000 (CIP #C800406).**

Request document(s) included a Commission agenda [memorandum](#) and [presentation](#) slides.

Presenter(s): Mark Coates, Senior Manager, Airport Operations, and Ralph Wessels, Capital Project Manager, Aviation Project Management Group.

The presentation on agenda item 6d included the following key information:

- The project cost has increased slightly from the previous estimate by approximately \$10.2 million, primarily due to additional pavement replacement along the runway, and better definition of work on Taxiway H/J. Work on the electrical and communications systems, storm drain designs, and Federal Aviation Administration (FAA) impacts cost slightly more than expected.
- The runway pavement, designed for a 20-year service life, has been in use for 44 years. The size and history of repairs to the runway were summarized.
- Blast pads on Runway 16C/34C and Runway 16 Left/34 Right (16L/34R) will be replaced to meet FAA standards.
- Reconfiguration of a sharp right turn in Taxiway H/J will reduce runway incursions, in which aircraft stop beyond the stop bar and overhang the next runway.
- Construction will take place over two seasons due to operational issues associated with closing two runways simultaneously.
- Construction of Runway 16C/34C is anticipated to begin in April 2015. Construction of Runway 16L/34R would take place between June and August 2016. All work should be completed by September 2016.

In the ensuing discussion, it was clarified that the project has been put to a majority-in-interest vote, and the airlines are supportive.

It was noted that, while a similar runway pavement replacement project in 2009 took place over one season, that project's scope was smaller. The Runway 16C/34C Reconstruction project will replace more square yards of pavement, and includes much additional work. Therefore, there is no practical way to avoid a two-season construction project. However, results from the NEPA-SEPA assessment (National and State, respectively, Environmental Policy Acts) indicate no additional noise level from this project. The best way to minimize any impact is to aggressively pursue construction with the intent of early completion.

**Motion for approval of item 6d carried by the following vote:**

**In Favor: Albro, Bowman, Bryant, Creighton (4)**

**Absent for the vote: Gregoire**

- 6e. Authorization for the Chief Executive Officer to: (1) authorize an additional \$427,000 to complete the construction of the Doug Fox Site Improvements project at Seattle-Tacoma International Airport, and (2) issue change orders to extend the construction contract duration by up to 180 days to complete changed work associated with the operations building. The total amount of this request is \$427,000 for a total project cost of \$6,930,000 (CIP #C800451). [subsequently laid on the table]**

Request document(s) included a Commission agenda [memorandum](#) and [presentation](#) slides.

Presenter(s): James R. Schone, Director, Aviation Business Development, and George England, Capital Program Leader, Aviation Project Management Group.

The presentation on agenda item 6e included the following key information:

- The requested funds cover the increased soft costs needed to complete and close out the Doug Fox Site Improvements project, including cost impacts resulting from a six-month schedule delay. The requested amount will provide additional construction contingency to cover risks associated with the remaining project work.
- On July 9, 2013, the Port Commission approved the lease with ATZ Inc. and a total project cost of \$5.1 million. This was later increased to \$6.5 million, and the contract was executed with the successful bidder in October 2013.
- The lease specifies relief if the project is delivered late.
- Most of the important project expenditures are forecast to exceed authorized funding by late December 2015. Without Commission approval of the requested funds, construction may have to be suspended or terminated.
- The airlines are not paying for this project. Any overages and financial gaps must be covered by the Airport Development Fund.
- Causes of the project delay include time spent in value engineering undertaken to reduce construction costs. This effort delayed the project 28 days.
- Another cause was increased construction time due to unknown paving conditions as work commenced. Substandard paving sections were discovered and had to be removed and replaced, mostly within the authorized budget.
- Other causes included weather delays and the complexity of constructing improvements to the facility while maintaining tenant operations. The most significant delay was delayed permitting from the Washington State Department of Labor and Industries, amounting to 84 days.
- As of today, a building at the south end of the Doug Fox Parking Lot has been replaced by a modular structure. A temporary entrance and exit have been provided to accommodate tenant operations, and a new canopy area has been constructed.

Discussion ensued in which it was noted that the project has significantly exceeded its original scope and timeline and that ATZ was the only bidder for the expanded project in 2012. Bidding was constrained in part due to the Port's desire to avoid competition with other similar parking operations near the Airport.

The Commission noted that, based on the ongoing work on the Sustainable Airport Master Plan, the future use of the lot cannot be projected beyond 8-10 years. The baseline financial analysis has changed over time, but the baseline analysis contemplates 2012 revenues of \$2 million growing by 2.2 percent over 15 years of presumed lease time. Assuming a change in use by the end of the five-year lease, potential future uses and related revenue projections for the lot were requested, based on conservative and actual baselines.

The Commission expressed a desire for analysis of lessons learned from the challenges of the project, including the adequacy of evaluation of alternatives in scope and means, clarity of communication, and the presumption that all stakeholders would benefit from continued tenant operations and the associated rent. An analysis of whether the internal rate of return is keeping up with the financial investment was requested. Also requested was a review of Airport project planning, given the uncertainties associated with an incomplete Sustainable Airport Master Plan.

Commissioners noted that as a condition of the request for proposals, successful proposers were required to divest themselves of any property within a three-mile radius of the site. ATZ divested itself of such a joint venture as recently as December 1, 2014, approximately a year and a half after the lease was executed. The delay in divesting casts a shadow on correct performance according to the lease terms.

It was suggested that a moratorium on the entire project may be necessary until the Sustainable Airport Master Plan is completed.

*Without objection, further consideration of agenda item 6e was laid on the table.*

*Without objection, the following agenda item –*

**6f. Authorization for the Chief Executive Officer to amend the lease with ATZ Inc. for the operation of the Doug Fox Parking Lot located north of South 170th Street and east of the Northern Airport Expressway to extend the term nine months, defer increases in the concession fee and Minimum Annual Guarantee, and provide other modest relief for operational impacts and delays caused by construction of the Doug Fox Parking Lot Services Upgrades Project. [laid on the table]**

*– was laid on the table.*

## **7. STAFF BRIEFINGS**

### **7a. Port of Seattle Disparity Study Results.**

Presentation document(s) included a Commission agenda [memorandum](#) and presentation slides.

Presenter(s): Luis Navarro, Director, Office of Social Responsibility; Mian Rice, Manager, Small Business Program and Policy Manager; and Todd Pickton, Managing Director, BBC Research and Consulting.

The presentation on the Port of Seattle disparity study included the following key information:

- The Port's Office of Social Responsibility (OSR) tracks small business participation in applicable Port contracts based on percentage of Port spending. It identified 30 percent participation by small businesses in 2013. The Century Agenda goal is 40 percent.
- A disparity study helps determine whether a contracting environment is fair and equitable to all parties involved. The analysis compares actual utilization of minority and woman-owned businesses to their availability. An index is used to determine parity or disparity of an entity's business practices. An index of 100 or more constitutes parity, the state of being equal. Many courts have determined that an index of 80 or less constitutes a substantial disparity and can be treated as an inference of discrimination.
- For the purposes of the disparity study, identified groups include small, disadvantaged business enterprises (DBEs), minority-owned business enterprises (MBEs), and women-owned business enterprises (WBEs). To avoid double-counting, minority women-owned businesses are counted either as DBEs or MBEs. Therefore, WBE effectively refers to businesses owned by Caucasian women. Airport concessions disadvantaged business enterprises (ACDBEs) are regulated under separate rules from these groups and were not included in the study.
- Performance of the disparity study was voluntary for the Port, although the studies are mandatory to implement race- or gender-conscious DBE programs that involve federal funding for government entities within the jurisdiction of the U.S. Ninth Circuit Court of Appeals.
- BBC Research and Consulting conducted a disparity study for construction and construction-related professional services contracted throughout the Port between 2010 and 2013 with the support of local DBE Pacific Communications Consulting. Contracts executed or awarded during the time period were included; previously executed work ongoing during the study time period was not included.
- Overall, MBE and WBE availability for Port construction and construction-related professional services contracts is 18.2 percent. Utilization was analyzed at 10.2 percent. This included firms that were too large to be considered DBEs, but were still MBEs or WBEs, in accordance with the U.S. Ninth Circuit Court of Appeals' stated preference for disparity studies. It also included businesses that met MBE and WBE criteria regardless of certification status by the Office of Minority and Women-Owned Business Enterprises (OMWBE). These results indicated an overall disparity index of 56, which is within the range that indicates the presence of disparity.
- A disparity index of 56, combined with additional information, may be used to support formation of race- and gender-conscious DBE contracting efforts.
- The disparity indices for several groups were parsed. Many groups had indices between 8 and 42. It was reported that the overall index factor of 96 and construction contract index of 113 for African-American MBEs is skewed by the inclusion of a single construction firm that, although an MBE, does not qualify as a DBE. WBEs, which include only businesses owned by Caucasian women, were the only group demonstrated to be above parity with an overall index of 113 and a construction contract index of 134.
- The disparity study included comments by consultants, sub-consultants, and subcontractors that indicate MBEs, WBEs, DBEs, and small businesses are sometimes



included in proposals to demonstrate diversity but never receive the promised work or are not promptly paid by their prime contractors.

- The role of the OSR in developing solutions to contracting disparity through community outreach and development of training and capacity-building programs was discussed, as was review of Resolution No. 3618 pertaining to small business. Recommendations may be offered as early as the first quarter of 2015.

Ensuing discussion included the tendency for a few firms to do the majority of work among DBE groups, assurances against fraud in the use of the federally defined DBE designation, and the low percentage of Port construction projects receiving federal funds. The disparity study under discussion addressed all non-ACDBE Port contracting, not only contracting that included federal funding.

King County's Small Contractor and Supplier certification program and its relationship to Port contracting with local businesses was discussed. Commissioners commented on the need for a cultural shift to ensure the success of the Port's small and minority business programs. The relationship of airport programs to the broader range of Port-wide contracting was considered.

Commissioners urged staff to move quickly to institute next steps and bring detailed recommendations for future equity efforts.

#### **7b. Scope and Budget Update on the Airport's International Arrivals Facility (IAF) Program.**

Presentation document(s) included a Commission agenda [memorandum](#) and [presentation](#) slides.

Presenter(s): Frederick Robinson, Program Leader, Aviation Project Management Group; Michael Ehl, Director, Aviation Operations; and Wayne Grotheer, Director, Aviation Project Management Group.

The presentation on the scope and budget of the International Arrivals Facility included the following key information:

- The current Federal Inspection Services (FIS) facility, designed and built in 1973 for a maximum capacity of 900 passengers per hour, is no longer adequate for the needs of the rapidly growing international air service at Seattle-Tacoma International Airport and must be replaced with a modern International Arrivals Facility (IAF).
- Planning efforts for a new facility are well underway, but no official design work has begun.
- Reprioritized program metrics, potential value-engineering scope changes, and program adjustments for compatibility with the Sustainable Airport Master Plan (SAMP) were presented. Metrics are categorized as capacity, customer service, competitive advantage, and community image.
- Cost and schedule validation will follow engagement of a design-build team. At this point, formal design will commence and a guaranteed maximum price will be proposed.
- The IAF's current cost estimate is \$596 million, including \$100 million in reserves and contingency. There are a number of possible strategies to contain or reduce this cost involving various trade-offs.



- The inevitability of hardstand operations was noted. When there is insufficient gate capacity, aircraft must be parked in the airfield on a hardstand and passengers and cargo bused to the terminal. Current and future capacity needs were presented.
- Use of automated passport kiosks and other efficiencies have reduced wait time in the FIS, which nevertheless remains higher than tolerable for optimal operations. So far this year, there have been only four cases of holding passengers on board aircraft due to lack of capacity in the FIS. Cases of holding passengers in the International Corridor are at 524 and are increasing daily.
- It is hoped that a new facility will reduce minimum connection time from 90 to 75 minutes. Competing airports are aiming for minimum connect times as low as 60 minutes.
- Providing the opportunity to expand the one-way bridge into a two-way bridge would support future expanded circulation flow. The bridge is not being currently constructed with two-way capacity, but will have the capacity to expand in the future.

The relationship between the IAF program and the SAMP, which are both in progress and dynamic due to multiple competing factors, was discussed.

Future capacity issues, including factors of aircraft size and flight capacity, were noted. Careful management of the available facilities, operations, and overall Airport space potentially could postpone the need for another large commercial airport, saving significant regional investment in the meantime. Concerns noted included the negative impact on capacity in the interest of project cost savings and the need to balance performance and expenditures, investing only at the appropriate time.

The number of gates currently proposed and the assumptions behind early cost estimates were discussed. Factors affecting improved security screening efficiency were noted. Project location relative to secured areas and its effect on costs was discussed.

## **8. NEW BUSINESS**

Commissioner Bowman announced a joint meeting between the Ports of Seattle and Tacoma on December 3, 2014. The public session will begin at 9 a.m. at the Port of Tacoma's Fabulich Center to discuss a Seaport Alliance between the two ports.

## **9. ADJOURNMENT**

There being no further business, the regular meeting was adjourned at 4:03 p.m.

Tom Albro  
Secretary

Minutes approved: July 14, 2015.