

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6b
Date of Meeting	March 22, 2016

DATE: March 14, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
Michael Ehl, Director, Aviation Operations
SUBJECT: South Satellite Interior Renovations (SSIR) project at Seattle-Tacoma International Airport (CIP #C800549)

Amount of This Request:	\$1,900,000	Source of Funds:	Airport Development Fund
Est. Total Project Cost:	\$6,256,000		
Est. State and Local Taxes:	\$386,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to (1) award and execute a major public works construction contract with the low responsive and responsible bidder for the South Satellite Interior Renovations Project, notwithstanding the low bid exceeding the engineers estimate by more than 10 percent; (2) execute a construction change order to provide additional casework for the South Satellite; and (3) increase the project budget by \$1,900,000 (\$1,400,000 for the bid amount and \$500,000 for the change order). The new authorized total project cost will be \$6,256,000.

SYNOPSIS

This project will make interior renovations to the mezzanine and departure levels of the South Satellite. These improvements include new podiums and backstands including the additional casework to support additional narrow body gates, new wall panels in the escalator wells and on the concourse level, and new gate boarding door portals. The project is intended to improve declining airline tenant and customer satisfaction and feedback related to the passenger experience in the South Satellite.

Port staff has carefully reviewed the project scope in light of these increased costs and has determined that this project remains critical to the airlines that use the South Satellite from a customer service and passenger experience perspective. In early 2014 the airlines that operate at the South Satellite requested that the concourse be renovated due to its substandard condition. As recently as the International Arrivals Facility roundtable session in August 2015, international airline representatives testified in public session that they were operating in substandard conditions at the South Satellite. Port staff has reviewed the bids with airlines via both the

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 2 of 8

Airline Airport Affairs Committee and the International Station Managers meetings and the airlines have reiterated their interest in having the project move forward despite the increased cost.

Further, the scope of this project is being increased by \$500,000 to include additional casework. This casework will support three additional narrow body gates for the South Satellite recently identified and implemented as part of a separately authorized project (South Satellite Narrow Body Configuration).

BACKGROUND

In the first quarter of 2014, ten of the eleven carriers that operate at the South Satellite sent letters to the Airport Managing Director requesting modifications and upgrades to the terminal to enhance the overall customer experience. An \$18 million project that would include most of the airline requested modifications and upgrades including new lighting, ceilings, terrazzo, Wi-Fi, paging system and column covers in addition to the items being completed in phase one and phase two of the project had been proposed in earlier years. After reviewing the initial scope of that project, staff determined that the SSIR project could complete some of these scope items quickly to improve customer experience while others were more appropriate to include in a future comprehensive renovation of the South Satellite.

The SSIR project emerged as a way to provide targeted relatively low cost improvements that could meet the short term needs of the airlines and traveling public until the more comprehensive South Satellite renovations would be undertaken in the future. Full South Satellite renovation is now in the capital investment plan but construction will not begin until the gate closure impacts of the International Arrivals Facility project are past. Certain improvements, like paint, vending alcoves, casework replacement, new wall panels and door portals could be completed relatively quickly and inexpensively in the SSIR project when compared to more expensive and intrusive work like ceiling or lighting replacement.

The SSIR project was broken into two phases. The first phase, authorized by the Commission in December 2014 was work that required little design and could be completed quickly, such as wall paint and carpet replacement. This phase was completed in June 2015 with a budget savings of approximately \$600,000 from the estimated cost of \$1,900,000. The second phase, which is the subject of this Commission action, required more detailed design and construction activity phasing based on operational activities and was authorized by the Commission for construction in November 2015. In November 2014 the airlines approved this project through a Majority In Interest (MII) vote.

The Commission authorized advertisement for bids for the SSIR project on November 24, 2015. Three contractor bids were received and opened on January 26, 2016. The lowest responsive and responsible bid, from PCL Construction Inc., exceeded the engineer's estimate by nearly 61%. This represents a bid irregularity requiring further Commission action prior to contract award in accordance with Section 4.2.3.4 of Resolution No. 3605, as amended by Resolution No. 3628. Additional authorization of \$1,400,000 represents the difference between the engineer's estimate

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 3 of 8

and the lowest bid, plus additional sales tax, and construction contingency amounts. This project was included in the 2016 – 2020 capital budget and plan of finance.

Port staff has reviewed the bids with the lowest responsive and responsible bidder and has determined that the bid irregularity is based on a market condition not previously known. The lowest responsive and responsible bidder identified the various cost elements of their bid, including the cost for manufacturing the casework (podiums, backstands, door portals). The breakdown of the budget increase is:

\$1,054,000	for casework associated with the podiums and backstands,
\$68,000	for casework associated with the door portals, and
<u>\$34,000</u>	for demolition.
\$1,156,000	Subtotal - increased contractor cost above the engineers estimate
\$123,000	additional construction contingency
<u>\$121,000</u>	additional sales tax.
\$1,400,000	Total additional budget required for original project scope.

The increased costs for the casework include both manufacturing and materials costs. The lowest responsive and responsible bidder indicated they had received bids from three casework manufacturers. All three of those casework bids were closely grouped. This indicates an accurate reflection of the current competitive marketplace for casework. This request includes additional contingency in the request because the current contingency is very low for a remodel project with a construction cost of \$4.8 million.

Increased airport passenger growth has created a need for additional aircraft parking. On February 23, 2016, Port Commission authorized a project to provide three added narrow body aircraft parking positions at the South Satellite. To improve the airlines' ability to use these additional parking spaces for departure flights, additional casework is needed for passenger processing and boarding.

PROJECT JUSTIFICATION AND DETAILS

The South Satellite, with the exception of the west end, was last updated in the 1990s, when new carpet was installed. Many of the original 1970s finishes remain today in run-down condition. The existing lighting is insufficient compared to other newer concourses. Passengers flying through or departing from the South Satellite, the international gateway to and from the Puget Sound region, should be provided with the experience expected from a major modern international airport, with newer clean modern finishes and more light.

The existing gate podium casework is outdated, does not allow light into the interior of the satellite and does not match the new gate standards established in 2013. The white wall panels were part of the original construction, and the pink wall panels on some interior public walls installed in the 1980s are also old and outdated. The gate boarding door portals which serve as entrances to the loading bridges are original to the building and should be replaced with new doors with modern signage, and door and security hardware. Additional casework to support the addition of three narrow body gates has been included to meet current and future needs.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 4 of 8

Project Objectives

The project is intended to improve the declining airline tenant and customer satisfaction and feedback related to the look and feel of the departure experience in the South Satellite.

Scope of Work

This project will make interior renovations to the mezzanine and departure levels of the South Satellite. These improvements include:

- New podiums and backstands including the additional casework to support additional narrow body gates.
- New wall panels in the escalator wells and on the concourse level.
- New gate boarding door portals.

Schedule

Remaining project schedule items:

Issue Notice to Proceed

Construction Complete

2nd Quarter 2016

3rd Quarter 2016

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$18,900,000	\$1,829,000	\$20,729,000
Previous Budget Adjustments	\$(15,674,000)	\$(699,000)	\$(16,373,000)
Revised Budget	\$3,226,000	\$1,130,000	\$4,356,000
Current Request for Authorization	\$1,900,000	\$0	\$1,900,000
Total Authorizations, including this request	\$5,126,000	\$1,130,000	\$6,256,000
Remaining Budget to be Authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$5,126,000	\$1,130,000	\$6,256,000

Project Cost Breakdown

	This Request	Total Project
Design Phase	\$58,000	\$1,029,000
Construction Phase	\$1,721,000	\$4,841,000
Sales Tax	\$121,000	\$386,000
Total	\$1,900,000	\$6,256,000

Budget Status and Source of Funds

The SSIR project, CIP #C800549 was originally included in the 2014 capital plan with a budget of \$18.9 million. The scope and budget was reduced when it became clear that the South Satellite would need a full renovation sooner than originally anticipated and that this level of investment for the short term was not appropriate. The capital budget of \$3,226,000 is included in the 2016-

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 5 of 8

2020 capital budget and plan of finance. The new funds of \$1,900,000 will come from the Airport Development Fund.

Financial Analysis and Summary

CIP Category	Renewal/Enhancement
Project Type	Renewal and Replacement
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$6,256,000
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will decrease
IRR/NPV	N/A
CPE Impact	\$0.04 in 2017

Lifecycle Cost and Savings

The existing conditions in the South Satellite have been largely unchanged for 20 to 40 years. The life expectancy for the wall panels, door portals and casework systems and finishes has been exceeded, in some cases drastically. The new systems and finishes are not expected to have significant repair over their life span. Preventative maintenance costs will be consistent with the current maintenance program.

STRATEGIES AND OBJECTIVES

This project supports the Century Agenda strategy of “advancing this region as a leading tourism destination and business gateway” by providing targeted improvements to the departure level of the South Satellite.

The project manager collaborated with the Office of Social Responsibility to set an 11% small business participation requirement for this project.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Note: These alternative cost comparisons are for the cost to complete and do not include Phase One costs.

Alternative 1) – Reject all bids - Redesign to stay within the existing project budget by removing all scope items except the casework from the project and re-bid after design is complete.

Cost Estimate: \$3.3 Million (remaining existing project budget, Capital and Expense)

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 6 of 8

Pros:

- No added cost or budget increase.
- The airlines get the casework element of the project rather than everything that they approved through the MII.

Cons:

- This alternative would require some redesign work to determine where cuts can be made.
- The added design cost means less scope can be completed.
- This alternative delays construction completion to the 1st quarter 2017 for a delay of 7 months relative to the recommended alternative.
- Additional staff and designer expense for the redesign efforts.
- The airlines will not get all the improvements that they have requested and approved via MII.
- Providing additional casework to support the additional narrow body gates at a later time, via a separate project will cost more (approximately \$100,000).
- There is no guarantee that the casework market conditions would improve.

This is not the recommended alternative.

Alternative 2) – Reject all bids – Redesign using alternative casework that is less expensive than the project casework, to minimize the cost increase and rebid after design is complete and include the casework to support additional narrow body gates.

Cost Estimate: \$4.5 Million (Capital and Expense)

Pros:

- The proposed casework may be purchased as an “off-the-shelf” or predesigned and not custom product.
- The airlines get all the elements of the project that they approved through the MII.

Cons:

- This alternative delays construction completion to the 1st quarter 2017 for a delay of 5 months relative to the recommended alternative.
- Additional staff and designer expense for the redesign efforts.
- Current estimates have not been tested in actual market conditions.
- Off-the-shelf casework is generally manufactured when ordered, and thus is likely not immediately available which can extend the project schedule.
- Off-the-shelf casework may not be able to accommodate the common use equipment and this may limit choices during design and extend the design time.
- Current market investigations indicate that off-the-shelf casework found to date does not include the storage that the airlines have requested.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 7 of 8

- Off-the-shelf casework may not be durable enough to last until the full renovation of the South Satellite, that is, seven years.
- Door portal storage may not match the casework.

This is not the recommended alternative

Alternative 3) – Reject all bids – Redesign to use the existing casework with modified finishes, (Port crews would apply new plastic laminates to existing surfaces), and remove the storage casework from the door portals. Rebid a new major works contract to complete the door portals and wall panels only.

Cost Estimate: \$2.9 Million (Capital and Expense)

Pros:

- This is the least costly alternative.
- Port crews could start the casework modifications immediately and this work could be completed by the end of 2016.
- Cost for redesign is less than for a project that includes new casework design.
- Casework is designed to accommodate Port common use equipment and meets current Port standard.
- The casework can be redesigned to allow some increased natural light into the space.

Cons:

- Reduces the scope of the original project further.
- Requires Commission authorization for the use of Port crews.
- Public works portion of the project would complete construction in the 1st quarter 2017 for a delay of 7 months relative to the recommended alternative.
- Additional staff and designer expense for the redesign efforts.
- No products have been selected to support the monitors on the backstands.
- Requires portal redesign.

This is not the recommended alternative.

Alternative 4) – Accept the bid and add the casework to support additional narrow body gates.

Cost Estimate: \$5.3 Million (\$4,126,000 Capital and \$1,130,000 Expense)

Pros:

- No additional costs or delays for redesign and re-bid.
- The airlines get all of the elements that have been requested and approved through the MII.
- The scope of this project has already been justified and approved by airlines, airport management and the Commission.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

March 14, 2016

Page 8 of 8

- One of the complaints by the airlines in requesting this work was that the South Satellite needs improved light within the space. The casework best allows additional natural light into the space.
- Casework is designed to accommodate Port common use equipment and meets current Port standard.
- Casework is composed of durable materials and is expected to be long-lasting, so there is a possibility that this casework could be used in other areas of the airport if it is not used in the South Satellite after the major remodel is complete.
- Minimal schedule delay.

Cons:

- Cost/budget increase of \$1.9 Million.
- This is the most costly alternative.
- Would require a change order to the SSIR project for the additional casework.

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Presentation slides.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- November 24, 2015 – The Commission authorized construction of Phase Two of this project.
- August 11, 2015 – The Commission and Airlines met in a Forum on Seattle-Tacoma Airport's International Arrivals Facility: Airline Roundtable.
- December 9, 2014 – The Commission authorized construction of Phase One of this project.
- August 5, 2014 – The Commission authorized design funds for the South Satellite Interior Renovations project.