

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7d

Date of Meeting April 26, 2016

DATE: April 18, 2016
TO: Ted Fick, Chief Executive Officer
FROM: George England, Program Leader, Aviation Project Management Group
Michael Ehl, Director, Aviation Operations
Dave Soike, Director, Aviation Facilities and Capital Programs
SUBJECT: 2016 Q1 NorthSTAR Program and North Satellite Project Briefing

SYNOPSIS

The NorthSTAR program is an outcome of Alaska Air Group's (AAG's) goal to concentrate and consolidate the operations of Alaska Airlines and Horizon Airlines at the north end terminal facilities of the Airport. The NorthSTAR program includes four renovation projects. The program, which is a collaborative effort of the Port and AAG, was defined in a conceptual study prepared by AAG and its consultant in 2011. Working with this conceptual study, the Port and AAG refined the scope to meet the long-term goals of both the Port and AAG. In some cases, scope and budget from other parallel capital projects have been incorporated into the NorthSTAR program to ensure compatibility of design and efficiencies of construction. The revised scope meets the Airport and AAG goals for improved traveler experience and customer service.

Preliminary work package 1, previously authorized by the Commission, was advertised for bid on February 22, 2016 on the North Satellite (NSAT) Renovations and Expansion project. This package reconfigures Alaska Airlines NSAT gates to accommodate the start of expanding the building under the subsequent Preliminary Work Package 2, which relocates major underground utilities and constructs the foundations and Phase 1, which completes the building expansion. Phase 2 begins at the completion of Phase 1 and renovates the existing building. Preliminary work package 2 is nearing 90% design. The building design (expansion and renovation) is approximately 75% designed and continuing toward 90%. The team (Port, Designer, Contractor and AAG) are continually evaluating the schedule to minimize further delays.

Since the last update to the Commission, eight scopes of work have been added to the design. Three items are included in the budget increase forecast yet await AAG's final decision whether to change from AAG providing, per the original understanding at the start of the project, to whether the Port provides and incorporates them into the project. The team recently evaluated the impact of the added scope and further reconciled the project budget with the Port's construction contractor. Added scope plus budget reconciliation results in increasing the forecast project cost by \$131 million to a new revised budget of \$531 million. This increase required a Majority-In-Interest ballot, which resulted in a favorable vote on March 31, 2016. Value engineering items continue to be sought and incorporated into the design. Port staff continues working with AAG to finalize option to provide 14 gates during

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 2 of 7

construction of Phase 2 and to detail out systematic work sequencing and phasing to meet this requirement. Workshops have been conducted that generated and evaluated 22 different phasing options resulting in three top options that require further refinement.

The program is currently scheduled for completion in 2020. This briefing addresses progress through March 31, 2016. On May 24, 2015, Commission will be requested to authorize the additional scope, the increase in budget, additional soft costs, amend Consultant contracts and use Port crews to perform addition construction work.

BACKGROUND

The following is a summary of accomplishments, progress, issues, metrics and risks specific to the NorthSTAR programmatic capital project and each of the four capital construction projects:

1. CIP C800544 NorthSTAR Program Management & Controls

This umbrella project is comprised of cost estimating, cost controls, scheduling and overall management support for the four capital renovation projects within the NorthSTAR program.

Accomplishments

- Began coordination with Port Finance & Budget to evaluate the percentage of the NSAT project costs that are eligible for PFC (Passenger Facility Charge) funding.

Progress

- Continued update of overall program master schedule with changes to each project schedule in design/construction

Issues

- Resolving remaining design decisions and AAG concurrence have budget and schedule implications.
- Final Sustainable Airport Master Plan (SAMP) recommendations could have implications with the Main Terminal Improvements (MTI) project.

Metrics

- Financial performance is reflected in the program budget summary (Supplement A PowerPoint) and includes:
 - Cumulative Spent against Budget – Actual \$3.7M; Budget \$19.5M
 - Overall Schedule Progress – Actual 46%; Planned 54%
 - Cash flow for this reporting period – Actual \$145k; Planned \$140k
 - Contingency remaining - Forecast \$5.2M; Budget \$0.94M (inclusive of Management Reserve)
 - Small Contractor Supplier (SCS) Participation (Program Mgmt.) Actual 18.1%; Planned 27.0%

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 3 of 7

Risks

- Communication and coordination between multiple teams, stakeholders and people
- Further budget implications and schedule delays due to Port and AAG decisions

Current Capital Budget: \$19,514,150 *
(*Includes program management reserve)

Scheduled Project Completion: December 2020

2. CIP C800556 NorthSTAR NSAT Renovation & North Satellite Transit System Lobbies

This project is the largest within the overall program and includes the renovation of NSAT and the satellite transit system (STS) north loop stations at the Main Terminal, Concourse C, and the North Satellite. While the renovation of the STS station lobbies is relatively minor in scope, the NSAT renovation is significant and includes expansion of the NSAT to improve customer service and provide a balance of holdrooms, concessions, and circulation space to meet the overall program vision. The NSAT scope includes the removal of all regulated materials, seismic reinforcement of the NSAT, replacement of all infrastructure systems within the NSAT, expansion of the NSAT by nine structural bays to accommodate five additional gates, the addition of a rooftop structure for Alaska Airlines' Boardroom and a destination restaurant, the rebuilding of the NSAT concourse level interior, and the renovation of non-public support spaces on the ramp and STS levels. The NSAT scope will also incorporate sustainable building elements and the data and communications infrastructure to accommodate the anticipated needs of the Port, AAG and the travelling public.

Accomplishments

- Initiated coordination with Art Program artists.
- Received a favorable MII vote for the project on March 31.
- Developed criteria for Safegate Aircraft Docking system.
- Phasing criteria for Preliminary Work Package (PWP) 1 has been incorporated into the design.
- PWP 1 has been issued for bid.
- Added 8 new scope items; 3 await AAG's final decision whether Port provides
- Completed budget review; increasing budget requiring Majority-In-Interest (MII) ballot
- Developed 22 construction-phasing options to maintain 14 terminal adjacent gates through NSAT construction per AAG request.
- AAG identified need to replace Gate C17 PLB in March; Aviation Division designated as "Hot Project" due to operational impacts created by AAG's request in November 2015 to maintain dual taxi-lanes during construction. Staff is fast tracking project and seeking Commission authorization under a separate pre-existing CIP.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 4 of 7

In Progress

- Continued Value Engineering refinement; Emergency Power redesign saves \$1.7 million.
- Worked with Aviation Business Development's Airport Dining and Retail team on the coordination of Airport Dining & Retail facilities at NSAT during construction, at opening of Phase 1 completion and final construction.
- Identified additional temporary infrastructure requirements for Phase 1 to Phase 2 transition.
- Continuing to resolve AAG's comments to the design as it progresses.
- Working to resolve existing holdroom Level of Service (LOS) (how well or not passengers flow through a holdroom during the deplaning and enplaning process) concerns by AAG during construction.
- Awaiting AAG's approval of refined space layout for Boardroom impacted by Port's value engineering decision to modify the roof structure that slightly reduced boardroom square footage.
- Port and contractor discussing contract requirements, refining bid package scopes of work, and finalizing construction phasing in preparation to begin work.
- "Push/Pull Planning" session conducted to determine critical path schedule to complete the design of Preliminary Work Package 2 and Base Building packages incorporating eight added scope items and submittal dates without impact to construction schedule.
- Conducting workshops on Phase 2 construction phasing; three preferred options need refining.

Issues

- AAG submitted letter identifying issues requiring resolution for concurrence.
 - Stated requirement for 17 gates during NSAT construction, approval of revised Boardroom and LOS concerns.
- Final definition and agreement required of AAG "betterments" (cost sharing items), including budget quantification.

Metrics

- Financial performance is reflected in the program budget summary (attachment A) and includes:
 - Cumulative Spent against Budget – Actual \$25.2M; Budget \$415.9M
 - Overall Schedule Progress – Actual 5%; Planned 9%
 - Cash flow for this reporting period – Actual \$2.7M; Planned \$3.2M
 - Contingency remaining Forecast \$28.3M; Budget \$38.5M
 - SCS Participation (Design) Actual 1.9%; Planned 3.3%
 - Apprenticeship Utilization – Actual 0% * ; Goal 15%
- * No information available yet – too early to report

Risks

- Final reconciliation of project cost with Contractor results in budget growth.
- Ability to implement preliminary construction phasing plan and terminal/airside modifications that minimizes impacts to AAG's level of service, operations, schedule and construction costs.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 5 of 7

- Supporting AAG's continued requests for more detailed analysis that impacts ability to complete the design of the project and maintain schedule.
- Continued analysis of Phase 2 to increase number of operating gates.
- Resolution of AAG & Port 60% design comments further increases scope.
- Impact of the aggressive construction market on cost and availability of materials and work force.

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| Current Capital Budget: | \$415,812,944 |
| Estimated Capital Cost at Completion: | \$531,102,042 |
| Estimated Expense Budget: | \$5,800,000 |
| Scheduled Project Completion: | December 2020 |

3. CIP C800547 NorthSTAR Concourse C Vertical Circulation - Complete

4. CIP C800545 NorthSTAR Main Terminal Improvements – On Hold

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|--------------------------------------|--------------|
| Current Capital Budget: | \$29,200,000 |
| Scheduled Project Completion: | TBD |

5. CIP C800555 NorthSTAR Refurbish Baggage System - Complete

6. CIP C800554 NorthSTAR Concourse C & D Exterior Stairs - Deleted

ATTACHMENTS TO THIS BRIEFING

- Attachment A - Quarterly Commission Update PowerPoint
- Video of North Satellite Renderings

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

North Sea-Tac Airport Renovations (NorthSTAR) (CIP #C800544)

- February 23, 2016 – NorthSTAR Program status update
- November 24, 2015 – NorthSTAR Program status update
- July 14, 2015 – NorthSTAR Program status update
- April 28, 2015 – NorthSTAR Program status update
- January 27, 2015 – NorthSTAR Program status update
- October 28, 2014 - NorthSTAR Program status update.
- August 19, 2014 - NorthSTAR Program status update.
- May 27, 2014 – NorthSTAR Program status update.
- January 14, 2014 – NorthSTAR Program status update.
- September 24, 2013 – NorthSTAR Program status update.
- June 25, 2013 –NorthSTAR Program status update.
- April 9, 2013 – The Commission authorized the Chief Executive Officer to enter into a project labor agreement covering the NorthSTAR program's five major construction projects.
- March 26, 2013 –NorthSTAR Program status update.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 6 of 7

- June 26, 2012 – The Commission received a briefing on the status of the Airline Realignment Program and budget restructuring in association with the NorthSTAR Program.
- April 4, 2012 – Authorizations for the North Sea-Tac Airport Renovations program for: 1) preliminary project funding; 2) execution of consulting contracts for design/construction support services and project management services; and 3) use of Port crews and consultants to conduct regulated materials management surveys and field support services for preliminary project planning tasks.

North Satellite Renovation & North Satellite Transit Station Lobbies (CIP #C800556)

- December 8, 2015 – The Commission authorized \$98,100,000 for the following:
 - Additional Pre-Construction services (\$1,200,000)
 - Construction auditing services
 - Preliminary Construction work
- March 28, 2015 – The Commission authorized three NSAT related items:
 - Expand the baggage handling system increasing the project scope for \$14,400,000 and \$1,954,000 to complete the design.
 - Entering into a developer agreement with Puget Sound Energy and \$200,000 in reimbursement for the design and construction of underground gas infrastructure.
 - \$5,300,000 to
 - Prepare four locations to accommodate temporary passenger loading bridges, to construct temporary construction offices.
 - To complete construction of a Satellite Transit System (STS) North loop Dynamic Display system.
 - \$600,000 in expense funds for regulated materials management for AAG's tenant improvement project.
 - Approval to use Port crew labor and small works contractors to complete early project work.
- August 5, 2014 – The Commission authorized expansion of the NSAT, \$191,323,143 budget increase, \$15,717,800 to complete the design, execute amendments to existing consulting contracts; execute future consulting contracts and use of and to advertise for General Contractor/Construction Manager (GC/CM) alternative public works contractor.
- July 22, 2014 - NSAT Expansion Briefing
- April 16, 2014 – Seattle-Tacoma International Airport Capital Program - Briefing
- January 14, 2014 –NSAT expansion briefing.
- May 28, 2013, Commission authorized the execution of separate service agreements for Construction Management Services and Commissioning Services, of approximate values of \$10 million and \$1.5 million.
- December 11, 2012 – The Commission was briefed on the Vertical Conveyance Modernization Project Aero Phases 1 and 2 and the possibility of adding the specified elevators and escalators to the NorthSTAR program.
- July 24, 2012 - Commission authorized \$32,000,000 for the design of the NorthSTAR NSAT Renovation and NSTS Lobbies project.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

April 18, 2016

Page 7 of 7

- April 10, 2012 - The Commission authorized the execution of consultant contracts for design and construction support services; program management services; and the completion of site surveys for regulated materials management, for \$1,200,000.

NorthSTAR Concourse C Vertical Circulation Project (CIP #C800547)

- October 22, 2013 – Commission authorized \$16,145,000 for advertising for bids, executing a major construction contract, executing a tenant reimbursement agreement with Alaska Air Group, using Port crews to provide construction services for the Concourse C Vertical Circulation.
- November 6, 2012 – Commission authorized the design for the 1:20 sloped walkways and elevator(s) at Gates C2, C10-12, and C14 on Concourse C.

NorthSTAR North Main Terminal Improvements Project (CIP #C800545)

- December 3, 2013 – Commission authorized \$1,500,000 for preliminary engineering up to 30% design.

North Satellite Refurbish Baggage System Project (CIP#C800555)

- September 24, 2013 – The Commission authorized staff to: (1) advertise, award, and execute a major public works contract for the construction of the North Satellite Refurbish Baggage System Project; and (2) authorize the use of Port crews.
- July 12, 2013 – The Commission was notified of 1 added scope item and 2 scope items moved into the scope previously identified as suggested scope.
- November 6, 2012 – The Commission authorized staff to prepare design documents and use Port crews to support site investigation needed to develop the contract documents, for \$3,760,000.