

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting May 24, 2016

DATE: May 16, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
James Schone, Director, Aviation Business Development
SUBJECT: Regulated Materials (Asbestos) Abatement On-Call Contract (Expense)

Amount of This Request:	\$0	Source of Funds:	Airport Development Fund
Maximum Value of Contracts:	\$4,000,000		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to advertise and execute a major works unit price construction contract not to exceed \$4,000,000 to provide on-call regulated materials abatement for tenant lease spaces in the Main Terminal at Seattle-Tacoma International Airport. This contract will be for 1 year with a 1-year option. No funding is associated with this request.

SYNOPSIS

This request establishes an on-call regulated materials abatement contract to more readily respond to tenant projects that require such abatement prior to tenant construction. Much of the diminishing leasable space in the main terminal will require this abatement before tenant construction could begin. No funding is associated with this request. Each abatement project will be authorized separately at the time needed for it to begin.

BACKGROUND

As airline operations increase, airlines are leasing more and more space in the Main Terminal. Vacant tenant space in the Main Terminal is decreasing as a result. The Airport is faced with a critical deficiency of available pre-security lease space in the Main Terminal, with a vacancy rate of only 2.75%. Twenty locations on the Baggage Claim, Ticketing and Mezzanine Levels of the Main Terminal have been identified by Airport Business Development for potential future tenant lease opportunities.

When the Main Terminal was constructed in the late-1960s, it was fireproofed with asbestos containing materials. In the late 1970s the Port began a program to manage these materials in order to comply with Federal and WA State requirements. Left undisturbed, this asbestos

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containing material poses little risk to terminal occupants and the general public. As tenant construction projects occur, the Port removes the remaining regulated materials from affected locations to mitigate the risk of disturbing them during the tenant's remodeling work. All of the spaces that have been previously abated are now in use. Regulated materials, primarily asbestos-containing spray-applied fire-proofing, are present at each of the twenty locations in the main terminal that are considered to be likely candidates for lease in the future. In order to diminish the risk of unintentional asbestos exposure, the complete removal of these materials is required before the tenant's construction or remodeling work can take place. As the building owner, this falls to the Port to complete.

Establishing an on-call contract will provide the flexibility to schedule and complete abatement work much more quickly than is currently possible. This will make responding to tenant requests easier and quicker.

The estimated cost to remediate all 20 locations is approximately \$9 million. When time or funding is exhausted for this contract, staff plans to return to request a follow-on public works on call contract to remediate the remaining locations.

PROJECT JUSTIFICATION AND DETAILS

The amount of suitable tenant lease space that has already been abated is small and steadily decreasing in the Main Terminal. Each of the identified locations requires some level of remodel or tenant improvements in order to suit the tenants' needs. Thus regulated materials must be abated before tenant improvement work can take place in the remaining spaces that are available. Waiting to initiate abatement, and procuring individual abatement contracts for small to medium tenant projects, adds time to an "often urgent" tenant construction schedule. Having an on-call regulated materials abatement contract can minimize this potential delay.

Before undertaking new construction to accommodate individual small leased locations for growing operations, it is important that we first look to optimize existing space.

Project Objectives

Project objectives include:

- Quickly complete abatement of regulated materials in advance of construction activities by each tenant.
- Complete abatement of regulated materials inside each of the spaces now so that continued management of them is no longer required.

Current practice is to wait until a tenant agrees to lease a space before initiating a major works regulated materials procurement to perform the necessary abatement. Typical construction contracts take 2 months or longer to procure and fully execute before abatement work can begin. Depending upon the size and location of the space, abatement can take an additional 3 to 6 months. The result is that it can be anywhere from 5 to 9 months before a tenant is able to begin remodeling work in their leased space.

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With the type of on-call contract being requested, the Port will have the flexibility to begin regulated materials abatement work within a matter of weeks rather than months. It will also enable the Port to reduce the amount of time it takes from lease terms agreement to tenant construction by 3 to 6 months.

Finally, the ability to complete abatement work more quickly also means that these locations can begin generating lease revenue sooner than is now possible.

Small Business

This type of project can support small business participation to further the Port's Century Agenda goals. The various trades that will support this abatement work include mechanical, electrical, plumbing, glazing, insulating and scaffolding, as well as laboratory and inspection services. This support work is not too complex or specialized to preclude small businesses from performing the work. In addition, the abatement locations are pre-security and do not require badging, which can limit the number of small businesses willing to perform work at the airport.

Scope of Work

Prepare and advertise a major works on-call regulated materials abatement contract:

Schedule

Activity	Dates
Abatement Contract Executed	3 rd Quarter 2016
First Abatement Project Anticipated	4 th Quarter 2016
Abatement Contract Expiration	3 rd Quarter 2018 (or sooner depending on volume/cost of work)

FINANCIAL IMPLICATIONS

Charges to these contracts will be from projects that will be authorized separately through established procedures. Consequently, there is no funding request associated with this authorization. Regulated materials abatement work at the Airport is accounted for through the Environmental Reserve Liability and charged to expense.

Budget Status and Source of Funds

There is no funding request associated with this authorization. Individual work orders will be executed to authorize the contractor to perform any specific work on the contract against approved project authorizations and within the total contract amount.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Continue abating the spaces on a one-by-one basis using separate project-specific abatement construction contracts.

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Cost Implications: \$9,610,000

Pros:

- Addresses spaces that could be leased by tenants or that would require abatement to support tenant projects.
- The Port assumes less risk when an abatement firm hired under contract performs abatement than when it is performed by Port FTEs.
- Increased opportunity for multiple contractors to do business with the Port.
- Adding/reducing staff to meet fluctuating workload is quicker and costs less under this alternative than using Port FTEs.

Cons:

- Requires a 65 day or greater procurement lead time to secure each contract.
- The time needed to procure a project specific major works abatement contract increases the amount of time before a tenant can begin their improvements.
- Staff estimates an additional \$610,000 cost for time associated with project management, procurement and construction/contract administration for multiple contracts.

This is not the recommended alternative

Alternative 2) – Create an ‘in-house’ Regulated Materials Abatement Department, hire a staff of certified asbestos workers and self-perform the abatement work.

Cost Implications: \$9,524,000

Pros:

- Addresses all identified spaces that could be leased by tenants or that would require abatement to support tenant projects.
- This alternative does not require procurement of craft services.
- Provides quicker response to tenant RM abatement needs than the current process of procuring separate, project-specific major works abatement contracts.
- In-house workers could potentially be used for routine small works operations and maintenance abatement as well.

Cons:

- One time, up-front cost to hire an in-house abatement staff of 8 workers is estimated to be approximately \$200,000 including procuring the necessary office space, equipment and expendable materials.
- Annual operational costs for in-house staff, excluding salary and benefits, are estimated at between \$45,000 and \$50,000 for equipment, maintenance/replacement, replenishing expendable materials, staff medical exams and regulated materials refresher training.
- The cost for in-house staff to perform abatement is \$274,000 greater than if this work was contracted out.

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- There is a certain level of risk associated with asbestos removal. The Port would assume all of this risk when Port FTEs perform abatement. When abatement is performed by a firm hired under contract, that risk is shared and the Port's potential exposure is decreased.
- Adding/reducing staff to meet fluctuating abatement demand takes longer and costs more under this alternative than the other two options.

This is not the recommended alternative

Alternative 3) – Procure a major works unit price construction contract to provide on-call regulated materials abatement.

Cost Implications: \$9,000,000 (authorization request is only \$4,000,000 at this time)

Pros:

- Addresses identified spaces that could be leased by tenants or that would require abatement to support tenant projects in the next 2 years.
- Provides quicker response to tenant abatement needs than the current process of procuring separate, project-specific abatement contracts.
- Procuring only 1 contract to cover multiple abatement projects lowers administrative costs. (Note: When time or money runs out we will need to procure a follow-on contract to meet identified need.)
- Individual work requests for abatement will be negotiated to determine fair and reasonable price.
- The Port assumes less risk when an abatement firm hired under contract performs abatement than when it is performed by Port FTEs.
- Adding/reducing staff to meet fluctuating abatement demand is quicker and costs less under this alternative than using Port FTEs.

Cons:

- Less opportunity for multiple construction firms to do business with the Port.

This is the recommended alternative

ATTACHMENTS TO THIS REQUEST

- None

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None