

PORT OF SEATTLE
MEMORANDUM

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COMMISSION AGENDA
ACTION ITEM

Item No. 4i
Date of Meeting September 13, 2016

DATE: September 6, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Wayne Grotheer, Director, Aviation Project Management Group
Michael Ehl, Director, Aviation Operations
SUBJECT: Central Terminal Stairs (CT Stairs) project at Seattle-Tacoma International Airport
(CIP #C800716)

Amount of This Request: \$350,000 **Source of Funds:** Airport Development Fund
Est. Total Project Cost: \$2,910,000

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 Central Terminal Stairs Project, notwithstanding the low bid exceeding the engineers estimate by more than 10 percent; (2) increase the project budget by \$350,000 (\$276,000 for capital and \$74,000 for expense). The new authorized total project cost will be \$2,910,000.

SYNOPSIS

This project will build two stairways near the central checkpoint to provide egress capacity from the mezzanine level of the Airport in order to occupy portions of the building that cannot be used until fire life-safety issues are resolved. Gaining additional occupiable assembly and office space within the limited footprint of the terminal is valuable to both airlines and traveler services. The stairways and fire sprinklers increase safety and accessibility for airport users.

This project was authorized for construction in July 2017. When bids were opened on August 30, 2016, the lowest responsible bid exceeded the engineer's estimate by 22%. This request of \$350,000 represents the difference between the engineer's estimate and the lowest bid, plus additional sales tax and construction contingency amounts. The two bids received reflect market conditions.

The project is ready for construction so that the vacant spaces on the mezzanine will be usable. Port staff has carefully reviewed the project scope in light of these increased costs and has determined that this project remains critical to the growth of the Airport and to Airport users.

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BACKGROUND

The growth in operations and passengers at the Airport, and the related increase in support space needed by the Port's airline partners, has led to greater levels of occupancy on the mezzanine above the ticketing and checkpoint area. The occupancy levels have now reached a point where if the Port wishes to make use of any vacant space on the mezzanine level, egress stairways and fire sprinklers must be installed in the central area of the terminal building. There are approximately 10,000 square feet of office space on the mezzanine level that are now vacant.

The Airport main terminal building opened in the 1970s without a comprehensive fire sprinkler system. This met the provisions of the Uniform Building Code that was in force when it was designed and built. Today, the International Building Code (IBC) recognizes the benefits of a building fire sprinkler system by allowing longer and narrower egress pathways for buildings that have them installed. In order for the mezzanine stairs to qualify as egress pathways for the full use of the mezzanine, fire sprinklers must be installed.

This project is located in a portion of the existing terminal building which is anticipated would not be affected by future decisions related to the Sustainable Airport Master Plan.

Upon project completion, lease revenue is anticipated at \$770,000 in 2017, increasing to an estimated \$1,594,000 in 2018.

This project was authorized for design in October 2015 and authorized for construction in July 2017. This project was advertised on August 5, 2016. When the two contractor bids were opened on August 30, 2016, the lowest responsible bid exceeded the engineer's estimate by 22%. This represents a bid irregularity requiring further Commission action prior to contract award in accordance with Section 4.2.3.4 of the General Delegation of Authority. Additional authorization of \$350,000 represents the difference between the engineer's estimate 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 bid of the lowest responsive and responsible bidder and has determined that the bid irregularity is based in part on hot construction market conditions.

PROJECT JUSTIFICATION AND DETAILS

Airport staff is managing an increasingly scarce resource of available office space in the main terminal largely due to continued growth in demand from airlines operating at the Airport. When complete this project will make 10,000 square feet of currently un-leasable space usable.

It should be noted that in addition to providing sprinklers that will benefit the two stairs and their associated egress pathways, the fire sprinklers will benefit the Baggage Optimization project which will be able to use an egress pathway nearby once the fire sprinklers are installed.

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Project Objectives

This project will provide additional egress capacity in the form of two stairs from the mezzanine level of the Airport.

This project will provide fire sprinklers to assist in meeting building code requirements for the area.

Stairs will improve public access to services on the mezzanine including the USO, Lost and Found and the Airport Credential Center.

Construction will impact airport operations near the central checkpoint. Steps taken to mitigate this impact include:

- Limiting construction to evening-overnight hours.
- Closing Checkpoint 3 during low passenger times in winter and moving operations to Checkpoints 2 and 5 during construction hours only. Checkpoint 3 will be operational during the day.

Using personnel lifts rather than scaffolding for construction near the checkpoint queuing areas will reduce the impact to the queuing during the day.

Scope of Work

Construct two stairways from the mezzanine level of the Airport to the ticketing level at the central breezeway between the ticket lobby and the security checkpoint. The scope includes: way finding signage, spot abatement of regulated materials, and modifications to the lighting and fire sprinkler systems.

Schedule

Remaining project schedule items:

Issue Notice to Proceed

4th Quarter 2016

Construction Complete

2nd Quarter 2017

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$1,250,000	\$0	\$1,250,000
Previous Budget Increase	\$967,000	\$343,000	\$1,310,000
Revised Budget	\$2,217,000	\$343,000	\$2,560,000
Previous Authorizations	\$2,217,000	\$343,000	\$2,560,000
Current request for authorization	\$276,000	\$74,000	\$350,000
Total Authorizations, including this request	\$2,493,000	\$417,000	\$2,910,000
Remaining budget to be authorized	\$0	\$0	\$0
Total Estimated Project Cost	\$2,493,000	\$417,000	\$2,910,000

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Project Cost Breakdown

	This Request	Total Project
Design phase	\$0	\$511,000
Construction phase	\$293,000	\$2,217,000
State & Local Taxes (estimated)	\$57,000	\$182,000
Total	\$350,000	\$2,910,000

Budget Status and Source of Funds

This project (CIP #C800716) was included in the 2016 – 2020 capital budget and plan of finance as a business plan prospective project with a budget of \$1.25 million. The previous budget increase was due to the need for additional fire sprinklers (which were previously not in scope and are a requirement of the building code) and regulated materials abatement. The current budget increase of \$350,000 is required to complete the project as bid. The capital budget increase was transferred from the aeronautical allowance CIP (C800404) so that there was no change to the overall capital budget. The new funds will come from the Airport Development Fund.

The expense portion of the project (\$417,000) covers asbestos removal. \$343,000 of this was included in the 2016 operating budget and the additional \$74,000 in this request will be budgeted in the 2017 operating budget.

Financial Analysis and Summary

CIP Category	Renewal and Enhancement
Project Type	Infrastructure upgrades
Risk adjusted discount rate	8%
Key risk factors	Demand for additional terminal space
Project cost for analysis	\$2,910,000
Business Unit (BU)	Terminal
Effect on business performance	Although there are no current commitments to lease this space, the financial analysis estimates lease payments to begin in 2017 at \$770,750 for 5,000 square feet, and increase to \$1,593,850 for 10,000 square feet in 2018, and then subject to adjustment along with other terminal rental rates thereafter

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IRR/NPV	<p>5-year analysis (assumes leases with 4 tenants): NPV: \$2.9 million IRR: 34.0% Payback: 2 years</p> <p>30-year analysis (based on probable asset life, continued split of 5,000 square feet aeronautical, 5,000 square feet non-aeronautical tenant mix): NPV: \$17.8 million IRR: 46.2%</p> <p>Assumptions: -Aviation Finance and Budget projects a lease rate of \$171.45 per square foot per year in 2017, which increases to \$235.64 in 2024 and then is held flat thereafter for aeronautical space - Aviation Finance and Budget projects a lease rate of \$136.85 per square foot per year in 2017, which increases to \$190.11 in 2024 and then is held flat thereafter for non-aeronautical space -2,500 square feet leased to an aeronautical tenant and 2,500 square feet leased to a non-aeronautical tenant for each of 2017 and 2018. -Each build-out incurs approximately \$189,216 of costs that are eligible for reimbursement under the Port's AV-2 Tenant Reimbursement Policy (though funds for these potential reimbursements are not part of this authorization request).</p>
CPE Impact	\$.03 in 2016 due to O&M costs, then \$.01 annually beginning in 2017.

Lifecycle Cost and Savings

Aviation Maintenance may experience some additional operating and maintenance costs related to the stairs though they are not anticipated to be significant and should be able to be absorbed with current resources. There will be no impact as a result of the additional scope related to adding fire sprinklers.

STRATEGIES AND OBJECTIVES

This project supports the Port's Century Agenda objective of meeting the region's air transportation needs at the Airport for the next 25 years and encouraging the cost-effective expansion of domestic and international passenger and cargo service. The Airport must meet the business needs of tenants by providing office space to support their operations.

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This project supports the Aviation Division's Strategy of operating a world class international airport by ensuring safe egress routes for those using the mezzanine facilities and meeting the needs of our tenants and the region's economy.

This project is collaborating with the Economic Development Division's Small Business Team to maximize small business participation throughout construction.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Reject all bids

Cost Implications: \$3,360,000

Pros:

- (1) No added costs or budget increases
- (2) More time to design alternate ways to accomplish this work in the 24/7 checkpoint.

Cons:

- (1) This alternative will cause a delay to the schedule and we will miss our opportunity to close the checkpoint which will require that we build tunnels through the checkpoint during construction.
- (2) Additional staff and designer expense for the redesign efforts.

This is not the recommended alternative.

Alternative 2 – Accept the bid

Cost Implications: \$2,910,000

Pros:

- (1) No additional costs or delays for design and rebid
- (2) The impact to the checkpoint will be less intrusive

Cons:

- (1) Cost/budget increase to the project budget

This is the recommended alternative.

ATTACHMENTS TO THIS REQUEST

- Exhibit A: Floor plan illustrating new stairs and adjacent space utilization as well as an artist rendering of the staircases.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- October 27, 2015 – Authorization to prepare design and construction bid documents.
- July 12, 2016 – Authorization to advertise for bids and execute a major construction contract.