



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.**

4i

**ACTION ITEM**

**Date of Meeting**

November 8, 2016

**DATE:** October 31, 2016

**TO:** Ted Fick, Chief Executive Officer

**FROM:** Wayne Grotheer, Director, Aviation Project Management Group  
Michael Ehl, Director, Aviation Operations

**SUBJECT:** Concourse B Ramp Holdroom (CIP #C800761)

**Amount of this request:** \$700,000

**Total estimated project cost:** \$5,558,000

**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 Concourse B Ramp Level Holdroom project, notwithstanding the low bid exceeding the engineers estimate by more than 10 percent and (2) increase the project budget by \$700,000. The new authorized total project cost will be \$5,558,000.

**EXECUTIVE SUMMARY**

This project will convert approximately 3,400 square feet of ramp level office and service spaces into passenger holdroom space needed for off-gate/hardstand operations.

This project was authorized for construction in July 2016. Construction bids were opened on October 25, 2016. Four bids were received. The lowest responsible bid exceeded the engineer's estimate by 21% (bid: \$2,789,000, estimate: \$2,307,000). The two lowest bids were separated by \$3,000. While the remaining two bids were higher (at approximately 40%), the closeness of the bids leads us to conclude that they represent a competitive marketplace that was not accurately portrayed in the project cost estimate. Port staff will be reviewing other project estimates prior to bidding in order to ensure that market conditions are accurately reflected in the project estimated cost.

This request to increase the project budget is for two reasons. First, the bid overage of \$570,000 represents the difference between the engineer's estimate and the lowest bid, plus additional sales tax and construction contingency amounts. Second, the additional \$130,000 is for changed site conditions discovered during construction of authorized enabling work by Port crews and small works contractors to relocate tenants currently located in the project site.

Meeting Date: November 8, 2016

**JUSTIFICATION**

The Aviation Division Business Plan calls for “increased productivity of existing terminal facilities” (Strategy 1.2, Objective 6). The need for increased productivity is driven by the following: (1) recent and forecasted significant growth in enplanements and operations and (2) construction activities that will take several existing gates out of service during the International Arrivals Facility and North Satellite renovation and expansion projects. The Airport will face a severe shortage of contact gates for at least the next decade.

Sea-Tac Airport has the highest gate utilization rate of any large hub airport in the country. The current Signatory Lease and Operating Agreement (SLOA) outline specific protocols for gate utilization. These protocols include secondary user rights on leased gates, defined periods of use on all gates, and a specific hierarchy for assignment of carriers to common-use gates. At this time there is very little or no opportunity to further leverage existing protocols to increase gate utilization. Since every gate will be in use and every holdroom will be occupied, when hardstand operations are activated the Airport needs to provide a waiting area and equipment to process passengers for these flights.

The Concourse B location offers convenient access to the ramp for busing and also convenient access to the Satellite Transit System for passengers who need to access other areas of the Airport.

**Project Objectives**

- Provide a dedicated common-use holdroom and passenger processing space for use during hardstand operations.
- Provide additional capacity within the existing building footprint as directed in the Airport’s business plan strategic goal to increase productivity of existing air terminal facilities.

**DETAILS*****Scope of Work***

This project will convert approximately 3,400 square feet of ramp level office and service spaces into passenger holdroom space needed for off-gate/hardstand operations. The holdroom will be designed to have a capacity for more than 200 people to be able to process two flights with staggered departure times.

This project will install common-use casework and passenger processing equipment as well as passenger amenities including new restrooms, seating, and Wi-Fi. Electrical, mechanical, fire sprinkler, and communication systems will be reconfigured to meet the needs of the space. This includes heating, ventilating, air conditioning (HVAC), and plumbing systems. Access from the concourse level of the terminal building will be provided with a passageway from the existing escalator landing into the space. Exterior doors will also be installed with appropriate access control security. Outside the building, the project will delineate a bus lane and a bus drop-

Meeting Date: November 8, 2016

off/pickup area and provide a covered passenger walkway to the holdroom door. Through design it was determined to provide the covered passenger walkway. This would provide additional passenger protection from the weather and improved passenger experience. This resulted in a scope and budget increase.

While most of the identified ramp level terminal building space is currently vacant, this project will relocate three airline ramp level office and service spaces to another area of the ramp level as the first element of this project. This early construction work was authorized by the Commission on October 6, 2015.

**Schedule**

*Activity*

Construction start	2017 Quarter 1
In-use date	2017 Quarter 3

**Cost Breakdown**

	This Request	Total Project
Design	\$0	\$986,000
Construction	\$700,000	\$4,572,000
Total	\$700,000	\$5,558,000

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Reject all bids; reduce scope in order to stay within the project budget (scope elements to be removed have not been identified at this time).

Cost Implications: No change in budget - \$4,858,000.

Pros:

- (1) No added costs or budget increase

Cons:

- (1) This alternative would cause passengers to walk 200 feet, exposed to the weather elements to and from the COBUS.
- (2) Additional staff and designer expense for the redesign.

This is not the recommended alternative.

**Alternative 2** – Accept the low bid and complete the project.

Cost Implications: Budget - \$5,858,000, increased by \$700,000

Pros:

- (1) This alternative will allow the Port to award the contract to the low bidder and to keep the project close to its current schedule.
- (2) No additional costs or delays for design and rebid.

Meeting Date: November 8, 2016

Cons:

- (1) This alternative costs more by an additional \$700,000.

*This is the recommended alternative.*

**FINANCIAL IMPLICATIONS**

<b><i>Cost Estimate/Authorization Summary</i></b>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$4,176,000	\$10,000	\$4,186,000
Previous changes – net	\$4,848,000	\$10,000	\$4,858,000
Current change	\$700,000	\$0	\$700,000
Revised estimate	5,548,000	\$10,000	\$5,558,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$4,848,000	\$10,000	\$4,858,000
Current request for authorization	\$700,000	\$0	\$700,000
Total authorizations, including this request	\$5,548,000	\$10,000	\$5,558,000
Remaining amount to be authorized	\$0	\$0	\$0

***Annual Budget Status and Source of Funds***

This project (CIP #C800761) was included in the 2016-2020 capital budget and plan of finance. A budget transfer of \$700,000 will be transferred from the Aeronautical Allowance CIP (C800404) resulting in no net change to the Airport’s capital budget. The funding source for this project will include the Airport Development Fund and future revenue bonds.

***Financial Analysis and Summary***

Project cost for analysis	\$5,558,000
Business Unit (BU)	Terminal Building
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase
IRR/NPV (if relevant)	N/A
CPE Impact	\$0.02

**ATTACHMENTS TO THIS REQUEST**

Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

July 5, 2016 – The Commission authorized construction of the project and an increase to the budget of \$672,000.

October 6, 2015 – The Commission authorized design of the project and use of Port crews to construct and relocate ramp and service space.

Meeting Date: November 8, 2016

May 26, 2015 – The Commission was briefed on the Aviation Division Business Plan which included a review of remote hardstand operational needs.

April 28, 2015 – The Commission was briefed on the Sustainable Airport Master Plan (SAMP) which included a review of the need for remote hardstand operations.