



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 6b

**ACTION ITEM**

**Date of Meeting** February 28, 2017

**DATE:** February 17, 2017

**TO:** Dave Soike, Interim Chief Executive Officer

**FROM:** Jeffrey Brown, Director, Aviation Facilities and Capital Programs  
Michael Ehl, Director, Airport Operations  
Wayne Grotheer, Director, Aviation Project Management

**SUBJECT:** South Satellite Renovations Project Planning and  
Programming Phase Funding Authorization (CIP #C800743)

**Amount of this request:** \$4,300,000

**Total estimated project cost:** To be determined at conclusion of  
planning and programming phase

**ACTION REQUESTED**

Request Commission authorization for the Chief Executive Officer to (1) initiate programming and develop design alternatives for the South Satellite Renovations Project using Port staff and consultants and (2) advertise and execute a project-specific service agreement for Project Management Services for the South Satellite Renovations Project.

This authorization is for \$4,300,000.

**EXECUTIVE SUMMARY**

The South Satellite (SSAT) is approximately 45 years old and is in need of complete renovation. The driver is similar to the current modernization and expansion project for the North Satellite (NSAT), which was also constructed in the early 1970s. The SSAT serves a mix of domestic and international carriers and will continue to be a critical terminal asset for Sea-Tac airport.

Renovation of the SSAT's aging infrastructure is needed to meet airport level of service goals, current building and structural code requirements and sustainability goals (e.g. Leadership in Energy and Environmental Design (LEED) certification, water conservation, energy conservation, and material selection). The planned renovation will, at minimum, include abatement of regulated materials; renewal or replacement of basic mechanical, electrical, communications, heating/ventilation/air conditioning (HVAC) and plumbing systems along with seismic upgrades; and improvements to public areas (hold-rooms, concessions, restrooms, etc.) to effectively handle current and growing passenger volumes while meeting environmental standards and

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objectives. The potential need or opportunity for expansion of the satellite will also be explored during alternative concept development.

This request authorizes staff to engage specialty planning, programming and project management professionals for development and analysis of alternative concepts for the renovation of SSAT. This request also authorizes the advertisement and execution of a Project Management Services contract to support Port staff during the definition of the project. The contract duration will be until project completion. Staff will return to Commission in the fourth quarter of 2017 to seek concurrence on a preferred design concept; request additional project authorization to continue project development; and amend the project management services contract to include support during design and construction. This authorization is for \$4,300,000. The total estimated project cost is to be determined. Staff will return for approval of a preferred design concept and updated overall project cost estimates will be available at that time.

The Port of Seattle’s Small Business Generator (PortGen) program has conducted an initial outreach for this program this month and will provide outreach training related to SSAT. The procurement will include small business utilization requirements.

**JUSTIFICATION**

The South Satellite was constructed at the same time as the North Satellite and is in need of renovation similar to what the NorthSTAR project is completing to the North Satellite. The core mechanical and electrical utilities as well as the structure of the original concourse have remained largely unchanged since it was built. A number of projects have been completed and are underway make improvements necessary to operate the facility in the near future. However, those projects do not address the significant renovations required to meet long-range capacity and customer experience goals.

The Commission’s authorization of this action request will permit staff to launch the planning and programming work necessary to advance this effort to identify a preferred concept for the renovation.

**DETAILS**

This planning and programming effort will be undertaken by staff with the support of a previously authorized Planning Services IDIQ and a Project Specific Project Management Services contract to be authorized with this request.

This effort will confirm the project justification, identify program requirements, perform an alternatives analysis, and identify a preferred option for further development.

No design will be completed as part of this effort.

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***Scope of Work***

- Gather, assemble and catalogue all information necessary to effectively describe the current and projected operational and functional requirements as well as identify additional desired features of the SSAT.
- Develop alternative concepts including preliminary cost estimate, scope and schedule.
- Perform an alternative concepts analysis with validated future projected needs of the airport.

***Schedule***

*Activity*

Commission authorization to begin planning and programming effort	2017Q1
Project Management Services contract advertisement	2017Q1
Project Management Services contract award	2017Q3
Alternative concepts analysis complete	2017Q3
Commission approval of preferred concept and authorization to complete project definition and start design	2017Q4
Design Services RFQ initial advertisement	2018Q1

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

Alternatives Considered:

**1. Defer action**

Cost Implications: Every year of delay to the project adds to construction cost at an inflation rate currently estimated to be 5% per year. A detailed analysis of operational cost/revenue implications has not been performed.

Pros:

- (1) Postpones investment potentially making funding available for other priorities

Cons:

- (1) Postpones the Airport’s commitment to international service by US and foreign-flag carriers to renovate and modernize the SSAT
- (2) Continues use of a facility that is outdated, undersized and difficult to maintain due to aging equipment and systems
- (3) Does not deliver architectural and customer facility enhancements to improve the passenger experience at the SSAT

This is not the recommended alternative.

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**2. Initiate design for a mid-term refurbishment of the satellite which would include scope such as a complete structural upgrade; complete HVAC replacement/upgrade; new terrazzo, lighting, ceiling and holdroom seating; and renovated and expanded restrooms, etc.**

Cost Implications: The authorization request for this option would likely be approximately \$26,000,000 for design and a total project budget of \$110,000,000.

Pros:

- (1) Prioritizes addressing code compliance and refresh of current facility
- (2) This renovation would likely be delivered faster than more comprehensive renovation alternatives
- (3) The total cost of this program would likely be significantly lower than the full renovation concepts to be explored in the preferred alternative scenario

Cons:

- (1) Provides bare minimum facility improvements to meet current building code
- (2) This alternative would not provide a significantly improved passenger experience or operating facility
- (3) Misses opportunity to address a program selected based on a more comprehensive analysis of facility requirements and business goals
- (4) Does nothing to repurpose the Federal Inspection Services space that will be vacated when the IAF is complete.

This is not the recommended alternative.

**3. Authorize funding sufficient to complete a thorough alternatives analysis and procure a Project Management Services contract to support the full delivery of this project.**

Cost Implications: \$4.3M, total project budget TBD

Pros:

- (1) This effort will result in a preferred design concept for further development based on a thorough gathering of requirements and consideration of business goals
- (2) Provides opportunity to begin planning and programming and engagement with project stakeholders
- (3) Supports Staff with the resources appropriate to undertake this initiative
- (4) Moves toward fulfilling the commitment to the International Carriers to upgrade the SSAT.

Cons:

- (1) A complete renovation of the SSAT could constrain the flexibility of Port to financially support other priorities.

This is the recommended alternative.

**FINANCIAL IMPLICATIONS**

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$600,000,000	\$0	\$600,000,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$300,000	\$0	\$0
Current request for authorization	\$4,300,000	\$0	\$4,300,000
Total authorizations, including this request	\$4,600,000	\$0	\$4,600,000
Remaining amount to be authorized	TBD	TBD	TBD

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

This project was included in the 2017 – 2021 capital budget and plan of finance with preliminary estimated total cost of \$600 million. The funding source for preliminary project planning will be the Airport Development Fund. The funding plan for the full project will include future revenue bonds and will likely include Passenger Facility Charge (PFC) revenues. This funding plan will be refined as the scope, cost and timing of the project become more clearly understood.

***Financial Analysis and Summary***

The financial implication of this project, including the impact on passenger airline cost per enplaned passenger (CPE) will be done upon the completion of this preliminary project planning scope of work.

***Future Revenues and Expenses (Total cost of ownership)***

An important part of the exploration of each design concept will be development of total cost of ownership estimates for each alternative. Therefore, no total cost of ownership information is available at this time but will be included in future requests for commission action.

**ADDITIONAL BACKGROUND**

The renovation and expansion of the SSAT will address the existing facility’s deficiencies. It will also fulfill a commitment the Port made to the international and foreign flag carriers to improve the facilities in which they operate. An excerpt from a memo commemorating that commitment is below and a copy of that memo is attached to this memo (6b\_attach).

“Second, the foreign flag carriers stated in testimony to Commission that the South Satellite facility was not up to par with Concourse A and the future North Satellite that will be fully occupied by Alaska Airlines. Certain international airlines described the

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South Satellite concourse as “the least best” STIA concourse, “third world,” “cramped,” etc. The Commission noted the airlines’ concern about the 46-year-old South Satellite and as a result staff has added the start of the renovation of the South Satellite to the coming 5 year capital plan for approval this year.” (Port of Seattle Commission Meeting Memo 3c from September 8, 2015)

Interim upgrades to the facility have been made and are in progress to address immediate concerns for operating the satellite in the short-term. In 2015 and 2016, improvements such as carpet and casework replacement were completed to improve passenger experience by modernizing the aesthetic appearance of the satellite. Additionally, there are two active projects for the SSAT in design.

- C800818 SSAT Column/Beam Structural Improvements will complete a number of structural improvements to columns and beams on the concourse, international corridor, and ramp levels of the building. This project will address existing dead and live load structural conditions in the SSAT. The project will not address lateral load (i.e., wind and seismic) structural requirements.
- C800376 SSAT HVAC addresses immediate needs for improved reliability and capacity of the SSAT HVAC system.

These projects do not address all of the requirements to operate the facility for the long-term.

#### **ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides
- (2) Commission agenda memo 3c from the September 8, 2015, Commission public meeting commemorating the wrap-up and next steps following a Forum on Seattle-Tacoma International Airport’s International Arrivals Facility

#### **PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

January 17, 2017 – The Commission authorized \$1,300,000 for the design of the South Satellite Heating Ventilation and Air Conditioning (HVAC) Upgrade project.

November 8, 2016 – The Commission authorized design and construction for the South Satellite Structural Improvements project.

August 9, 2016 – The Commission approved the implementation of the 2017 – 2021 Long Range Plan that included the planning for renovation of the SSAT as a priority action in advancing this region as a leading tourism destination and business gateway.

March 14, 2016 – The Commission authorized award/execution of the major public works construction contract for Phase Two of the South Satellite Interior Renovations project.

November 24, 2015 – The Commission authorized construction of Phase Two of the South Satellite Interior Renovations project.

September 8, 2015 – The Commission discussed the wrap-up and next steps including a commitment to add a SSAT Renovation project to the 5-year CIP.

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August 11, 2015 – The Commission led a Special Meeting, Roundtable with Airline Representatives related to the International Arrivals Facility (IAF) and SSAT.

December 9, 2014 – The Commission authorized construction of Phase One of the South Satellite Interior Renovations project.

August 5, 2014 – The Commission authorized design funds for the South Satellite Interior Renovations project.