



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6a

ACTION ITEM

Date of Meeting June 27, 2017

DATE: May 5, 2017

TO: Dave Soike, Interim Executive Director

FROM: Jeffrey Brown, Director Aviation Facilities and Capital Programs
James Schone, Director Aviation Business Development
Wayne Grotheer, Director Aviation Project Management

SUBJECT: Central Terminal Infrastructure Upgrade (CIP #C800722)

Amount of this request: \$4,032,000

Total estimated project cost: \$16,834,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) transfer ADR Infrastructure Modifications project scope and associated budget of \$6,190,000 (CIP C800638) to the Central Terminal Infrastructure Upgrade project (CIP C800722); (2) increase this combined CIP budget by \$4,032,000 for the construction of the project; (3) use Port crews and small works contracts for construction work; and (4) advertise and award a major works construction contract for the Central Terminal Infrastructure Upgrade project. This authorization is for \$4,032,000 for a total estimated project cost of \$16,834,000.

EXECUTIVE SUMMARY

The purpose of the Central Terminal Infrastructure Upgrade project is to provide the shell space and associated vertical circulation for expansion of and improvements to the Airport Dining and Retail (ADR) space in the Central Terminal in order to improve customer service and increase non-aeronautical revenues.

In August 2016, the ADR Infrastructure Modifications project was advertised and the single bid received was 127 percent above the engineers estimate. Similarly, in October 2016, the Central Terminal HVAC Upgrade project was advertised and the single bid received was 197 percent above the engineers estimate. Both procurements were cancelled in October 2016. In an effort to attract multiple bidders and obtain competitive bids, the two projects will be re-advertised as one project with revisions made to address concerns expressed by the single bidder for both projects.

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JUSTIFICATION

Improvements to the Central Terminal infrastructure support economic growth and future passenger demands for products and services. Developing spaces that are currently unused and repurposing and reconfiguring existing spaces will enable the Port to meet future passenger demands. Current space demand analysis shows there is a need in the Central Terminal for an additional 12,000 square feet of Airport Dining and Retail space to meet the anticipated 2025 passenger projections. This project will add approximately 10,000 square feet of new Airport Dining and Retail space to the Central Terminal. This project will also ensure that the base building systems and all points of connection for utilities are code compliant.

Small Business

Under the current scope of work, this project presents a number of opportunities for small businesses to participate. The Small Business team along with the Port’s Project Management staff will be promoting this project under the Port’s Small Business Generator Program (Port-Gen) to maximize small business knowledge of this project. The aspirational goal is 30 percent small business participation and the Small Contractors and Suppliers requirement will be determined by the Small Business team.

Scope of Work

Upgrade the infrastructure in the Central Terminal to include adding new Heating Ventilation Air-conditioning air handling units, variable air volume boxes, plumbing, electrical, mechanical systems demising walls, elevators and stairways, demolition in order to prepare the mezzanine and all Central Terminal spaces for future tenant build-out projects. This will require closing all Central Terminal tenant spaces in multiple phases in order to accomplish the work.

Schedule

Activity

Design start	4 th Quarter 2016
Construction start	1 st Quarter 2018
In-use date	4 th Quarter 2019

Cost Breakdown

	This Request	Total Project
Design	\$0	\$1,851,000
Construction	\$4,032,000	\$14,983,000
Total	\$4,032,000	\$16,834,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Do not upgrade the Central Terminal Infrastructure

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Cost Implications: \$1,851,000 in design effort would need to be expensed. This combined design is 90% complete.

Pros:

- (1) No capital investment required.
- (2) The need to invest in upgrading the Central Terminal Infrastructure could be deferred if the Central Terminal mezzanine spaces will remain unoccupied and not developed for public use.

Cons:

- (1) Increased passenger demand for food service in the Central Terminal cannot be met without expansion into the undeveloped spaces on the mezzanine levels.
- (2) The planned ADR Lease Group 3 tenant spaces in the Central Terminal would not be remodeled as part of the Central Terminal Infrastructure Upgrade project. That scope of work would need to be completed by another project

This is not the recommended alternative.

Alternative 2 – Upgrade the Central Terminal Infrastructure

Cost Implications: \$16,834,000

Pros:

- (1) Design for Central Terminal Infrastructure Upgrade project is 90% complete.
- (2) Enables the ADR Lease Group 3 expansion into the mezzanine spaces not currently being used by the traveling public.
- (3) Concerns expressed by the single bidder for the prior design have been addressed.

Cons:

- (1) Requires capital investment by the Port of Seattle.
- (2) Project will require complex construction in support of the planned expansion that will affect the traveling public; closure of tenant spaces during construction.
- (3) An additional \$4,032,000 is required to complete the project.
- (4) Estimated total cost to complete this project is \$16,834,000.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate, CTE HVAC	\$6,589,000	\$23,000	\$6,612,000
Original estimate, ADR Infrastructure-(transfer)	\$6,190,000	\$0	\$6,190,000

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Current change	\$4,032,000	\$0	\$4,032,000
Revised estimate	\$16,811,000	\$23,000	\$16,834,000
AUTHORIZATION			
Previous authorizations	\$12,779,000	\$23,000	\$12,802,000
Current request for authorization	\$4,032,000	\$0	\$4,032,000
Total authorizations, including this request	\$16,811,000	\$23,000	\$16,834,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project, CIP C800722, was included in the 2017-2021 capital budget and plan of finance with a budget of \$6,589,000. The revised estimate includes a scope transfer for the ADR Infrastructure Modifications project from CIP C800638 Concession Infrastructure with a budget amount of \$6,190,000 and a budget increase of \$4,032,000 transferred from the Aeronautical and Non-aeronautical Allowance CIPs. The funding source will be 2018 revenue bonds.

Financial Analysis and Summary

Project cost for analysis	\$16,811,000
Business Unit (BU)	Terminal Building (HVAC) and Terminal Non-Aeronautical (vertical circulation)
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase
IRR/NPV (if relevant)	14% / \$19.6 million
CPE Impact	\$0.05 in 2020

Future Revenues and Expenses (Total cost of ownership)

Aviation Maintenance anticipates only a minimal increase in Operations & Maintenance costs with respect to the additional 13 Variable Frequency Drives and the Light Emitting Diode lighting for the sides of the two staircases which will be absorbed with current resources. No impact is anticipated as a result of the renewal and replacement of existing equipment. There will be an increase in O&M costs related to the two additional elevators of approximately \$35,000/year on the current elevator service contract, and a total annual increase of \$8,000 for the two additional HVAC units as a result of this project.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides
- (2) Video presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

August 9, 2016 – Central Terminal Expansion Heating Ventilating and Air-conditioning Upgrade Construction Authorization (CIP C800722)

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June 28, 2016 – Airport Dinning & Retail (ADR) Infrastructure Modifications Construction Authorization (CIP C800638)

May 26, 2015 – the Port Commission authorized design and construction documents for Central Terminal HVAC Upgrade Project

October 28, 2014 – Authorization for Airport Dining and Retail Infrastructure Modifications (CIP C800638)

June 25, 2013 – Authorization for United Services Organization Northwest Lease and Associated Second Floor Utilities Preparations (CIP C800615)

January 22, 2008 – Authorization for the upgrade of heating, ventilation, and air-conditioning (HVAC) system to the north side of the second floor of Main Terminal Administration Building/CTE (CIP C800249)