

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 6c

Date of Meeting February 9, 2010

DATE: January 22, 2010

TO: Tay Yoshitani, Chief Executive Officer

FROM: Ralph Graves, Managing Director, Capital Development Division
Michael Ehl, Director Airport Operations

SUBJECT: Delta Air Lines Sky Club Lounge Regulated Materials Abatement project

Amount of This Request: \$1,750,000

Source of Funds: Airport Development Fund

Sales Tax Paid: \$126,169

ACTION REQUESTED:

Request authorization for the Chief Executive Officer to execute and award outside professional service agreements, advertise construction bids, and execute major construction contracts for the Delta Air Lines (Delta) Sky Club Lounge Regulated Materials Management Abatement project and authorize Port Construction Services (PCS) to self perform work in support of Delta's tenant project at Seattle-Tacoma International Airport (Airport) in the amount of \$1,750,000.

This authorization combines two steps of the Resolution No. 3605 process (authorization to design and authorization to advertise and execute a contract) into one step to expedite the regulated materials abatement project that must be substantially completed before Delta Air Lines can start its construction work on the Sky Club Lounge tenant project. Delta currently plans to open its Sky Club Lounge in December 2010.

SYNOPSIS:

This memorandum requests authorization to advertise and award a Regulated Materials Management (RMM) abatement contract and execute a contract for consultant oversight support services for the Delta Air Lines Sky Club Lounge tenant project in the South Satellite Terminal at Sea-Tac International Airport. This project is on an aggressive timeline, and this authorization is requested so that contract advertisement can begin in order to enable timely award and performance. The Sky Club project supports Delta's new planned additional international services to Asia and Europe, and its potential opportunities for additional international routes to the Airport. The project will be funded by the Airport Development Fund, and the costs will be included in the airline rate base.

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BACKGROUND:

Since acquiring Northwest Airlines in 2008, Delta has consolidated their gate operations at the South Satellite. In conjunction with this move, Delta plans to build a new Sky Club Lounge for their frequent flier and premium class customers. Delta will be responsible for constructing their lounge. The proposed scope of work for this construction project will impact a variety of known and suspected regulated materials, such as asbestos, in the South Satellite.

In November 2009, Delta presented a project schedule indicating a December 15, 2010, opening of their Sky Club. Port staff reviewed Delta's schedule and requested additional time be added to accommodate the Port project processes required to complete the regulated materials abatement portion of the work. Subsequently, Delta and the Port initiated negotiations over Delta assuming control and management of the Abatement project as a tenant project. On January 29, 2010, the Port received confirmation that Delta would like the Port to retain control of this work.

At this time Delta has not indicated a change in their project schedule to accommodate asbestos abatement. In order to minimize any impact to their schedule the following is requested:

1. The Port intends to begin the procurement process now, prior to receiving Delta's final design documents for their lounge.
2. The estimated value of the project is \$1.75 million based upon conceptual designs and previous good faith surveys. We are preparing a unit price open order contract. Depending on the actual asbestos encountered, cost may be less or more.

Asbestos is a known human carcinogen. Federal, state and local regulations contain very strict requirements for managing the disturbance, encapsulation, abatement and disposal of asbestos containing and other regulated materials during construction activities.

From its inception in 1988, the Port of Seattle Regulated Materials Management (RMM) Program has been tasked with the identification, management, abatement and mitigation of the effects of the regulated materials that are known to be or are suspected to be present in Port of Seattle facilities. Toward this end, the Port RMM effort encompasses global responsibility to provide protection from the effects of asbestos exposure, to control the disturbance of asbestos-containing materials (ACM) during construction operations, and to minimize situations that may cause the accidental release of asbestos fibers. The RMM Program also manages lead based paint abatement, PCB light ballast removal, and hazardous mold inspections and abatement. The primary concern of the Port RMM effort is the health and safety of Port employees, tenants, consultants, contractors and the public.

Due to the size and complexity of the proposed scope of this work for the Delta Sky Club, Government Accounting Standards Board (GASB) regulated materials compliance reporting and monitoring by Port RMM personnel will also be required.

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PROJECT DESCRIPTION/SCOPE OF WORK:

Scope of Work:

To date the following has been completed:

- Regulated Materials Surveys, to identify potential asbestos locations based on Delta's 30% design (Good Faith Survey)

This project will consist of the following components:

- Regulated Materials Design Services, including abatement plans and specifications
- Regulated Materials Abatement Cost Estimating
- Regulated Materials Abatement, to remove regulated materials from the project site
- Regulated Materials Abatement Project Quality Assurance Monitoring and Oversight Inspection Services
- Construction Management Support Services, including document review, environmental reserve monitoring and project closeout assistance
- Overall project and construction management oversight

STRATEGIC OBJECTIVES:

Removing asbestos from the project site before work begins supports the Port's strategy to "Exhibit Environmental Stewardship through our Actions." The Airport has a robust regulated materials management program in place and this project continues its successful tradition.

FINANCIAL IMPLICATIONS:

Budget/Authorization Summary

Original Budget	\$1,750,000
Budget Increase	0
Budget Transfers	0
Revised Budget	\$1,750,000
Previous Authorizations	0
Current request for Authorization	\$1,750,000
Total Authorizations, including this request	\$1,750,000
Remaining Budget to be Authorized	0

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Project Cost Breakdown

Construction Costs	\$1,327,831
Sales Tax	\$126,169
Outside Professional Services	\$100,000
Port Costs	\$196,000
Total	\$1,750,000

SOURCE OF FUNDS:

This project will be accounted for as an environmental reserve project in accordance with Port accounting policy AC-9. Since the triggering event will occur in 2010, this project was not included in 2009 environmental reserves. As an environmental reserve project, the costs will be accounted for as operating costs in 2010. The Aviation Division budgeted \$700,000 for this project in 2010 based on early estimates. The full costs will be incorporated into the terminal rate base and 79.6% of the costs will be recovered from airline tenants through terminal rents. The increased costs for this project will add approximately \$.05 to passenger airline cost per enplaned passenger (CPE) in 2010.

ECONOMIC IMPACTS:

This project supports Delta Air Lines, one of the Port's key airline partners, as they expand airline lounge services to support increased passenger traffic due to their merger with Northwest Airlines and potential future domestic and international growth at Sea-Tac International Airport.

ENVIRONMENTAL SUSTAINABILITY/COMMUNITY BENEFITS:

Removing asbestos from the Airport helps the Port provide a healthy and safe environment for employees, tenants, consultants, contractors and the public. This project also facilitates the Port's ability to meet rigorous environmental standards for the removal of regulated materials prior to the commencement of construction projects at Sea-Tac Airport.

TRIPLE BOTTOM LINE SUMMARY:

This action allows the Port to satisfy legal environmental requirements for removing asbestos containing materials from the Airport terminal before they become a hazard to the traveling public, Port employees, tenants, consultants and contractors. This action supports the growth of a major Airport tenant, Delta, which benefits the regional economy and traveling public.

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PROJECT SCHEDULE:

The following is a list of key milestone dates for the Delta Air Lines Sky Club Lounge RMM project.

Commission Authorization	February 2010
Design and Bid Advertisement	February to April 2010
Abatement Complete	August 2010

ALTERNATIVES CONSIDERED/RECOMMENDED ACTION:

1. The Port will prepare bid documents and advertise for contractors and Port staff to perform the abatement work to support Delta's tenant project. The bulk of the abatement work must occur before Delta can start their construction work and this may impact their schedule. Despite this constraint, this is the recommended alternative because it ensures that the abatement will occur.
2. Leave the abatement work to Delta Air Lines and the Port will provide oversight only. This would be the recommended alternative if the Port and Delta had reached agreement on the particulars of the abatement requirements. However, this did not occur and per federal regulations the Port must ensure that the abatement occurs before construction work begins. Therefore, this is not the recommended alternative.
3. Do nothing. Do not remove asbestos from the project site and do not provide RMM oversight and support to Delta as they remove the regulated materials according to federal, state and local regulations before starting their construction activities. The Port would not be in legal compliance with environmental laws and would not be a responsible steward with this option, shirking its legal and environmental responsibilities. This option does not reflect the Port's commitment to sustainable, safe facilities and is not the recommended alternative.

PREVIOUS COMMISSION ACTION:

On February 2, 2010, the Commission was briefed on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.

ATTACHMENTS:

None.