

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4d
Date of Meeting March 24, 2015

DATE: March 17, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Dave Soike, Director, Aviation Facilities and Capital Program
Wayne Grotheer, Director, Aviation Project Management Group
SUBJECT: North Satellite Renovation & North Satellite Transit Station Lobbies Project (CIP #C800556)

Amount of This Request:	\$5,300,000	Source of Funds:	Airport Development Fund, Passenger Facility Charges, Future Revenue Bonds
Est. Total Project Cost:	\$421,682,944		
Est. State and Local Taxes:	\$28,859,400		

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to take the following actions related to the North Satellite (NSAT) Renovation & North Satellite Transit Station (STS) Lobbies Project at the Seattle-Tacoma International Airport:

- (1) Authorization for \$3,400,000 to prepare the existing NSAT at four locations to accommodate temporary passenger loading bridges (PLBs);
- (2) Authorization for \$600,000 to construct temporary construction offices for Port and General Contractor/Construction Manager staff;
- (3) Authorization for \$700,000 to complete construction of Satellite Transit Station (STS) North Loop Dynamic Display system including the procurement of hardware, software, post-implementation maintenance contracts, and vendor services;
- (4) Authorization for \$600,000 expense funding for regulated materials management (RMM), including abatement for the Alaska Air Group (AAG) NSAT tenant project; and
- (5) Approval to use Port crew labor and small works contractors to complete early project work.

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This request, for authorization of \$5,300,000, is within the current total project budget of \$421,682,944, and is not requesting any additional increase in budget.

SYNOPSIS

Key strategies to ensure the successful completion of the NSAT project as early as possible are to identify and take advantage of opportunities that benefit the overall schedule. These opportunities would expedite critical components of work, better accommodate the GC/CM getting a quick start on constructing major elements of the building expansion, reduce operational impacts during construction, and provide improved customer service information and wayfinding, once major construction begins. To meet this objective, Port staff has identified four opportunities for early in-house preparatory construction work to be completed as separate Port projects in advance of the major GC/CM construction effort.

The early construction work projects include:

- (1) The relocation of three PLBs, creating associated gate lobby renovations, and connecting aircraft utilities (PC Air, 400 Hz, potable water)
- (2) Development of on-site construction offices
- (3) Installation of a North Loop STS dynamic display system
- (4) Abatement of regulated materials management (RMM) associated with these three early projects above and to support AAG in constructing their temporary VIP club room as a tenant improvement project this summer

BACKGROUND

The NSAT project is the largest component of the North Sea-Tac Airport Renovation (NorthSTAR) Program. The program is a collaboration between the Port and AAG to create and promote a user-friendly “curb-to-seat” passenger experience through the integration of facility improvements, technology, and airline services on Concourses C, D, the North Main Terminal, North Satellite, and the North STS loop.

On August 5, 2014, the Commission approved expanding the NSAT to provide 8 additional contact gates beyond the existing 12 contact gates, for a total of 20 gates. The Commission also authorized a corresponding increase to the project’s budget to fund this expansion scope, as well as the use of the General Contractor/Construction Manager (GCCM) alternative contracting procurement procedure for construction. On January 6, 2015, the Commission approved the selection and award of the GC/CM contract.

The current schedule for completing construction of the NSAT project has shifted to the fall of 2020. Any opportunity to improve on this schedule benefits the Port, AAG, and its passengers. Port staff, working with AAG and the GC/CM, has determined project elements 1 and 2 listed above will better facilitate the overall NSAT completion schedule and maintain the maximum

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number of active gates during construction. The STS Dynamic Display will inform passengers during potentially disruptive major construction phases when a train will be arriving at each station to ease anxiety. Abatement of RMM supports the first three projects and supports AAG in constructing an interim Boardroom VIP club providing passengers with a highly valued amenity prior to completion of the new, permanent VIP club facility. Staff recommends completing the proposed project elements using PCS crews and small works contracts in lieu of using the GC/CM. This will maximize opportunities to advance the NSAT schedule, better accommodate the GC/CM starting early major work in the expansion portion of the building and minimize impacts to current airline operations. The Port, AAG, and the GC/CM have mutually agreed that these four opportunities should be constructed early by the Port under separate work packages to benefit the NSAT project.

- To maximize operational gates for AAG during construction, three locations have been identified where temporary gates, with PLBs, aircraft utilities (PC Air, 400 Hz, potable water), holdrooms and aircraft parking, can be installed. Given the schedule when the GC/CM, currently under contract for preconstruction services, will begin major construction, relocating three PLBs with associated gate holdrooms and aircraft utilities now creates significant advantages. This minimizes the loss of important active gates during the early phase of construction, lessening the impact to AAG's flight operations. The temporary gate facilities will be created on the existing NSAT building with the PLBs relocated away from the north end of the satellite where the GC/CM will first begin on the building expansion.
- Given the size of the GC/CM and Port staff needed to manage, support, monitor and implement a major construction project such as the NSAT and to assure continuous on-site direction, coordination, supervision and safety of all NSAT construction activities, sufficient office space is required as close as possible to the project site. Existing office space is extremely limited elsewhere in the terminal and does not exist in the NSAT and must be created. This project will create offices for construction staff to be used for the duration of the construction project in unoccupied existing spaces located on the STS level of the NSAT and or to expand existing construction offices on the ramp level Concourse C. This allows staff to be closer to the construction versus remotely located either at the Logistics site or at the Water Tower Engineering Offices that would require significant travel time not conducive to supporting the project. There will be no available space on the airfield directly adjacent to the NSAT to place temporary modular facilities as an option. The construction offices will be the on-site field offices during all major construction phases, for both Port staff and the GC/CM, for the duration of the entire project.
- Maintaining and improving customer service is a key objective of the NorthSTAR program. Given AAG's increasing passenger volumes using the NSAT via the North Loop of the Satellite Transit System (STS) the Port and AAG have determined that the installation of a dynamic display system, at each of the three station locations in advance

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of major GC/CM construction phases, will improve passenger way-finding, reduce anxiety, and decrease passenger uncertainty during construction.

- AAG's Temporary Boardroom club will provide AAG's passengers on-site VIP room amenities as a significant customer service amenity until the permanent Boardroom facilities are completed. RMM in the ceiling area must be abated at this location for this tenant construction project to proceed.

PROJECT JUSTIFICATION AND DETAILS

Early delivery of certain elements of the NSAT project will assist in maintaining high levels of customer service and as close to current operations as possible during construction. These important objectives of the program are manifested in the four recommended early work projects. Delivery of these projects will use Port forces and have significant schedule benefits to the GC/CM contractor by not diverting their time and attention away from preconstruction work during planning the major construction activities.

The relocation of the three PLB's will maximize operational gates with aircraft utilities and passenger boarding facilities available to support AAG's growing flight operations at the NSAT during construction. Without these three temporary gates no other alternate gates are available for AAG to use without major operational impacts to AAG or other airport gates. By relocating these gates, the Port can provide continued airline gate operations outside of the immediate construction area, reducing negative impacts to the GC/CM contractor, the overall construction schedule and AAG's flight schedules.

On-site temporary construction offices will support the on-going complex construction activities to ensure that they are conducted in a safe and efficient manner. These facilities are needed because existing airport construction offices are too small, too remote and are non-existent at the NSAT to support the staff size required for a project as large and comprehensive as the NSAT renovation. To successfully facilitate a large-scale project, close collaboration and co-location of the owner and contractor on site produces the best overall result in project delivery. Because of extremely limited space adjacent to the NSAT construction site and because it is within a complex airfield operating environment, the placement of construction trailers on the airfield for this project is not feasible.

Having a dynamic display system at STS station doors on the North Loop of the STS, will provide public confidence that the NSAT is "open for business" during construction. The existing static white lettering, placed near each train door location at each station that indicates "The next train will arrive in two minutes," is easily overlooked by the traveling public. The addition of dynamic signage to identify how soon a train is arriving will improve the passenger's experience and although staff recommends this system be installed as an early element of the overall renovation project, it will permanently remain after completion of the NorthSTAR Program.

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All four early projects will require RMM abatement of varying degrees. Abating RMM at the proposed temporary AAG Boardroom VIP location enables that project and creates areas clear of asbestos that will not have to be abated later during the main renovation project.

Project Objectives

The four early work packages outlined in this authorization request will: 1) maintain the existing 12 contact gates critical to AAG operations during each phase of construction, 2) prepare and accommodate Port and GC/CM staff for NSAT terminal construction, and 3) enhance the passenger way-finding experience within the STS North Loop stations.

Scope of Work

Relocate three Passenger Loading Bridges

- PLB foundations, removal and relocation.
- Electrical, mechanical and controls hook-ups and modifications.
- Aircraft utility (PC Air, 400Hz, potable water) infrastructure and connections to PLB's.
- Gate holdroom modifications including demolition, interior and remodel/renovation work, curtain wall and door installations.
- Building lighting, signage and HVAC modifications.
- Reconfiguration and apron re-striping of aircraft parking positions.

Construction Offices

- Renovate unleased areas in the North Satellite.
- Perform miscellaneous demolition, construct walls, doors, ceiling, finishes, power, lighting, plumbing, communication systems, and provide office furniture.
- The offices will be constructed primarily at the North Satellite.
- Existing construction offices on Concourse C will also be expanded.

STS Dynamic Display

- Install 8-46 inch display monitors within each station on the STS North loop.
- Install electrical and communications wiring infrastructure to support the display system and RMM.
- Develop and install software and hardware data interfaces between the existing train control system and the display system.
- Minimize impacts to existing operations.
- Minimize impacts to the existing station finishes and overall appearance.

Abatement of RMM

- At the three relocated PLB locations and aircraft utility infrastructure.
- To enable construction of on-site Construction Offices.
- At STS Dynamic Display electrical conduit installation locations.
- Supports construction of the AAG temporary Boardroom VIP club.

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Schedule

The three work packages are separate and at various stages of development and to have complete and functional in advance of starting the GC/CM construction activities.

Commission Authorization to begin early construction	QTR 1 2015
Complete Temporary Gates	QTR 3 2015
Complete Construction Offices	QTR 3 2015
Complete STS Dynamic Display	QTR 3 2016

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	Capital	Expense	Total Project
Original Budget	\$194,300,000	\$5,000,000	\$199,300,000
Previous budget increase	\$207,182,944	\$800,000	\$207,982,944
Concurrent proposed budget increase	\$14,400,000	\$0	\$421,682,944
Revised budget	\$415,882,944	\$5,800,000	\$421,682,944
Previous Authorizations	\$55,464,800	\$200,000	\$55,664,800
Current request for authorization	\$4,700,000	\$600,000	\$5,300,000
Total Authorizations, including this request	\$60,164,800	\$800,000	\$60,964,800
Remaining budget to be authorized	\$355,718,144	\$5,000,000	\$360,718,144
Total Estimated Project Cost	\$415,882,944	\$5,800,000	\$421,682,944

Project Cost Breakdown

	This Request	Total Project Budget
Construction Phase	\$4,850,000	\$334,344,600
Design Phase	\$0	\$58,386,744
State & Local Taxes (estimated)	\$450,000	\$28,951,600
Total	\$5,300,000	\$421,682,944

Budget Status and Source of Funds

This project is included in the 2015 – 2019 capital budget and plan of finance with a budget of \$401.5 million. The Airport Development Fund (augmented as needed with the issuance of commercial paper) continues to be the initial source of funds for this project but funding for the entire project will include Passenger Facility Charge revenues (PFCs) and future bond issues. The Port anticipates issuing revenue bonds in 2015.

The terms under which AAG will participate in the Port's NorthSTAR Program costs have been established via an April 5, 2012, Letter of Agreement between the Port and AAG. The airlines were briefed on December 18, 2013, with regard to the decision to expand the NSAT and the resultant increase in budget. The formal Majority-In-Interest (MII) project approval process outlined in Signatory Lease and Operating Agreement (SLOA) was followed with the airlines voting in favor of this expansion and the project in July 2014.

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Financial Analysis and Summary

CIP Category	Renewal and Replacement
Project Type	Terminal Infrastructure
Risk adjusted discount rate	N/A
Key risk factors	N/A
Project cost for analysis	\$422M
Business Unit (BU)	Terminal
Effect on business performance	NOI after depreciation will increase
IRR/NPV	N/A
CPE Impact	\$1.32 in 2021. The actual CPE impact for this project could be lower depending on the amount of PFCs applied to construction costs and on revenue bond debt service.

Lifecycle Cost and Savings

It is anticipated that there will be a slight increase to the workload of the Aviation Maintenance department, primarily related to the temporary office spaces, and the STS displays. As the design of the projects further develops, these costs can be better defined and evaluated. The work load is not anticipated to be significant, and due to the temporary nature of the offices, no additional staff resource requirements are anticipated for this scope of work. Because no new PLB's are added and three existing PLB's are being relocated, there is no impact to the existing budget for PLB maintenance. There will be an expense increase of \$1,200 per month, to support the construction offices required to support the construction of the overall project.

STRATEGIES AND OBJECTIVES

The anticipated growth in domestic and international enplanements will require maintaining existing gates for all airlines. This project supports the Port's Century Agenda objective of meeting the region's air transportation needs at Sea-Tac Airport for the next 25 years. This project also supports the Aviation Division's strategy of anticipating and meeting the needs of our tenants, passengers, and the region's economy.

This is one of a number of projects that are directly tied to the One-Time Reallocation (Airline Realignment) program, that are in alignment with AAG's plan to consolidate its gate operations onto the NSAT and Concourses C and D. The NSAT expansion is also in alignment with Airport master plan development objectives that identify the NSAT as the most logical location for near-term expansion of airport capacity.

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TRIPLE BOTTOM LINE

Economic Development

This project will increase the long-term ability of the Airport to serve AAG's future growth. This project cost effectively meets AAG's needs by upgrading existing systems rather than building entirely new systems. As our business partner, this allows AAG to expand their operations.

Environmental Responsibility

This project demonstrates environmental sustainability by improving existing Port assets to extend their life and better utilizing existing resources. This project will include energy efficient equipment, low emitting materials and recycling of equipment, such as PLB's, and other materials where possible.

Community Benefits

Long-term vitality of the Airport benefits the regional economy, the local environment and nearby communities.

Small Business Participation

The Office of Social Responsibility (OSR) will provide support in determining small business and inclusion participation, as described in Resolution No. 3618.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Maintain status quo. This work would remain within the GC/CM contract as early work. This is not the recommended alternative.

Pros:

- All early work constructed as part of the GCCM contract.
- Possible increased opportunities for small, women and minority owned business.

Cons:

- Creates significant schedule delays, risks shifting completion of the NSAT project later into 2020 or early 2021.
- Increases project costs caused by potential delays.
- RMM materials are not properly addressed.

Alternative 2) – Implement Early Work Packages. Port, using crew labor and small works contracts, constructs these four work packages in advance of the GC/CM construction beginning.

This is the recommended alternative.

Pros:

- Creates early customer service and operational benefits.
- Creates possible improvements to the current completion schedule of the NSAT project.
- Eliminates impacts in work and schedule to the GC/CM contractor.
- Work is within the capabilities of existing Port resources.
- RMM work is performed resulting in areas cleaned of asbestos.
- There will also be opportunities for small, women and minority owned businesses.

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Cons:

- Certain projects will be managed independently by Port, versus by GC/CM.
- Any delay may impact GC/CM in moving PLB's or having adequate office space.

ATTACHMENTS TO THIS REQUEST

- STS Dynamic Display
- NSAT Aircraft/Gate plan with temporary gate locations

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- March 24, 2015 – The Commission authorized (1) \$14,400,000 budget for baggage handling system expansion; (2) \$1,954,000 authorization for design;
- March 24, 2015 – The Commission authorized (1) entering into a developer agreement with Puget Sound Energy for design and construction of underground gas infrastructure and (2) \$200,000 reimbursement to PSE.
- January 6, 2015 – The Commission authorized (1) \$5,000,000 preconstruction services; (2) execution of a General Contractor/Construction Manager (GC/CM) contract for preconstruction services; and (3) transfer of scope, \$1,750,000 budget and authorization for STS station roof replacement to the North Satellite Renovation and Expansion project.
- October 28, 2014 – NorthSTAR Program Status Update
- August 5, 2014 – Commission authorized an estimated \$191,323,143 to expand the NSAT by 8 additional gates, an additional \$15,717,800 for design completion, and use of the GC/CM alternative public works contracting procedure for NSAT expansion construction procurement.
- July 22, 2014 - NSAT Expansion Briefing.
- April 16, 2014 – Seattle-Tacoma International Airport Capital Program – Briefing.
- January 14, 2014 – NorthSTAR Program status update and initial NSAT Expansion briefing.
- September 24, 2013 – NorthSTAR Program status update.
- September 24, 2013 – The Commission authorized staff to: (1) advertise, award, and execute a major public works contract for the construction of the NSAT Refurbish Baggage System Project; and (2) authorize the use of Port crews.
- June 25, 2013 –NorthSTAR Program status update.
- May 28, 2013, Commission authorized the execution of separate service agreements for Construction Management Services and Commissioning Services, of approximate values of \$10 million and \$1.5 million.
- April 9, 2013 – The Commission authorized the Chief Executive Officer to enter into a project labor agreement covering the NorthSTAR program's five major construction projects.
- March 26, 2013 –NorthSTAR Program status update.
- December 11, 2012 – The Commission was briefed on the Vertical Conveyance Modernization Project Aero Phases 1 and 2 and the possibility of adding the specified elevators and escalators to the NorthSTAR program.

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- July 24, 2012 - Commission authorized \$32,000,000 for the design of the NorthSTAR NSAT Renovation and NSTS Lobbies project.
- June 26, 2012 - The Port Commission was briefed on the NorthSTAR program by Wayne Grotheer, Director Aviation Project Management Group.
- April 10, 2012 - The Commission authorized the execution of consultant contracts for design and construction support services; program management services; and the completion of site surveys for regulated materials management, in the amount of \$1,200,000.