

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	6b
Date of Meeting	June 23, 2015

DATE: June 1, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Managing Director Capital Development Division
David Brush, Program Leader, Capital Development Division
SUBJECT: International Arrivals Facility (IAF) Authorization to Execute a Progressive-Design-Build Contract (CIP #C800583)

Amount of this Request:	\$0	Source of Funds: Airport Development Fund, Passenger Facility Charges, and future Revenue Bonds
Amount Authorized to Date:	\$24,500,000	
Est. Total Project Cost:	\$608,400,000	
Est. State and Local Taxes:	\$43,500,000	

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to negotiate and execute a design-build contract with a design-build team for the Airport's International Arrivals Facility Program and authorize commencement of contract Validation Period work not to exceed \$6,000,000 of previously authorized funding.

SYNOPSIS

This authorization will allow the IAF project to remain on schedule by enabling the CEO to authorize work (team mobilization and program validation) as soon as selection of the Design-Builder is complete. This authorization will allow the party most qualified, the selected design-builder, to study and validate the programming work completed to date in order to provide the Commission with the most accurate overall cost estimate and schedule to date. Today's authorization allows team mobilization and validation work.

Today's authorization does not allow final design or construction work to begin, and these later efforts will be the subject of future requests to the Commission for authorization. Today's authorization does not affirm the total estimated cost of \$608,400,000 shown above. However, the Validation Period will produce the estimated Target Budget and Target Schedule for the program which should be available at year end. Retaining the design-builder now will help answer earlier Commission questions regarding the magnitude of the investment.

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While today's authorization allows the CEO to enter into contract with the design-builder, the design-builder's initial work directive will be limited to only the mobilization and validation work. This work will be contracted for a not-to-exceed amount of \$6,000,000 and will be paid for utilizing existing \$24,500,000 funding previously approved by the Port Commission on August 5, 2014. No additional authorization is being requested at this time.

Assuming the Commission authorizes execution of the contract, the Design-Builder will be selected on June 24, 2015. This selection comes at the conclusion of a rigorous selection process that was based on qualifications (80% of score) and certain price factors (20% of score). That selection process began with a Request for Qualifications, issued on August 7, 2014, followed by a Request for Proposal issued to a shortlist of finalists on February 13, 2015. The design build team finalists have toured the airport facilities, presented their key team members and engaged in proprietary meetings with staff to discuss management approach, design excellence, and contract terms.

BACKGROUND

In July 2013, the Commission approved preliminary funds to program a replacement of the existing under-sized and aging Federal Inspection Services (FIS) facility in the South Satellite with a new IAF that will serve the Airport well into the future and facilitate the Port's Century Agenda objective to make the Airport the West Coast "Gateway of Choice" for international travel. The Commission also authorized use of an alternative project delivery method called Progressive Design Build (PDB) for the IAF program. This method is newly available for use by public agencies in Washington State and allows the Port to select a design-build team based mainly on their qualifications with competitive pricing on certain commercial terms (e.g., fee, bond) as an additional selection factor.

Acting under the authority of Commission approvals, staff has advanced the PDB procurement, has ranked the design-build team finalists, and is prepared to enter into contract negotiations with the selected design-build firm. The contract with the design-build firm will be comprised of three distinct periods: the Validation Period, the Guaranteed Maximum Price (GMP) Development Period (including some preliminary base building construction e.g., site utilities and footings and the purchase of long lead items e.g., steel), and the GMP Execution Period (full build).

Port staff will seek Commission approval prior to proceeding with each of the three contract periods:

1. Validation Period: Approval today will provide action to move forward with the Validation Period. Within the Validation Period, Port staff will complete a State Environmental Policy Act environmental review. Based on the results of the Validation Period and that environmental review, if appropriate, staff will return to Commission for authorization to proceed with the project and the remaining two contract periods: GMP Development and GMP Execution.

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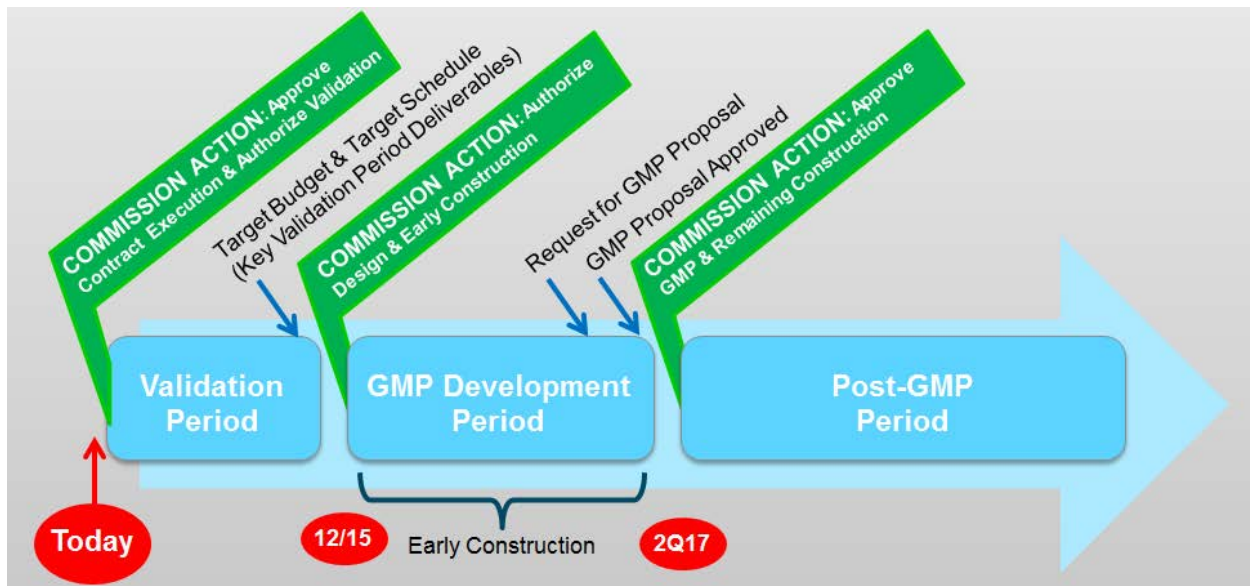
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2. GMP Development Period: At completion of the Validation Period, Port staff will present the Target Budget and Target Schedule for approval. The Target Budget and Target Schedule are benchmark commitments by the design-builder that, together with staff, will continue to be refined through development of the IAF design during this period. With the Commission's grant of authorization to proceed with this period of contract performance, design and construction of early work packages will start.
3. GMP Execution Period: After the GMP has been negotiated with the design-builder, staff will present the GMP for Commission authorization to enter into the final period of contract performance and complete the new IAF.

This request will authorize staff to proceed with the first contract period as depicted in the following graphic showing the Design-Build Contract Lifecycle:



PROJECT JUSTIFICATION AND DETAILS

The IAF Program is the Port's first project using the PDB delivery method. This method brings the designer and contractor together under one contract to deliver the project. A key benefit of this delivery method is that the Design-Builder can work collaboratively with the Owner to compress the overall project schedule and reduce the total project duration. By authorizing staff to execute a PDB contract, staff will begin that partnership with the awarded Design-Builder and enter the first contract period, the Validation Period.

During the Validation Period, the Design-Builder will critically assess the Port's IAF planning and programming documents, validate all assumptions and existing site conditions, create three design concepts based generally on the current plan, define their management approach in order to establish an Initial Basis of Design, and produce a Target Budget and Target Schedule. The

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Port and Design-Builder will subsequently use the Target Budget and Target Schedule to guide the evolution of the design during the second phase of the contract, the GMP Development Period.

Scope of Work

This authorization will permit staff to advance delivery of the new IAF as follows:

The execution of the design-build contract and the authorization of Validation Period activities will produce the following deliverables:

- Three design concept variations based on the current IAF plan
- Program Definition Document Validation Report
- Initial Basis of Design
- Target Budget
- Target Schedule
- GMP Development Plan
- Program and Site Specific Safety Plans with Job Hazard Analysis
- Contractor Access Plan
- Project Management Work Plan
- Small Business Participation/Inclusion/Outreach Plan
- BIM Model and Implementation Plan
- QA/QC Plans
- Security Plan

Schedule

Commission authorization	June 2015
Validation Period start	July 2015
Validation Period complete	November 2015
Present Target Budget and Target Schedule	December 2015

FINANCIAL IMPLICATIONS

<i>Budget/Authorization Summary</i>	Capital	Expense	Total Project
Original Budget	\$603,800,000	\$4,600,000	\$608.4M
Previous Authorizations	\$24,500,000	\$0	\$24.5M
Current request for authorization	\$0	\$0	\$0
Total Authorizations, including this request	\$0	\$0	\$24.5M
Remaining budget to be authorized	\$0	\$0	\$583.9M
Total Estimated Project Cost	\$0	\$0	\$608.4M

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Budget Status and Source of Funds

The cost estimate for the IAF, as currently defined, is \$608.4 million. The project estimate was included in the 2014-2018 capital plan and the plan of finance within CIP #C800583. This project was approved by the airlines with the signing of the Signatory Lease and Operating Agreement (SLOA III) with a budget of \$300 million.

An updated plan of finance is being developed to account for the difference between the SLOAIII approval and the current budget. Funding sources for the updated budget will include the Airport Development Fund, future revenue bonds, grants, and Passenger Facility Charges (PFCs). This finance plan will be reviewed during the Commission's requested 90 day review period.

STRATEGIES AND OBJECTIVES

This project addresses the Port's Century Agenda strategic objective to advance this region as a leading tourism destination and business gateway by making Seattle-Tacoma International Airport the West Coast "Gateway of Choice" for international travel.

Execution of contract will provide the Port the opportunity to take advantage of the PDB delivery method to validate the earlier programming work while considering three design concept variations in order to produce a target budget and schedule. This work will support a Commission resolution relating to the project. Performing the validation work as soon as possible will later enable compression of the overlapping design and build processes to speed completion of the IAF to better support growing international traffic.

TRIPLE BOTTOM LINE

Economic Development

Executing a contract with a Design-Build team to commence the Validation Period creates an opportunity for economic development through contracting and with the employment of the staff that will manage this work.

Environmental Responsibility

Construction of a new international arrivals facility at the Airport gives the Port unique opportunities to incorporate sustainable features into the design and construction of the building. Identifying sustainability goals and objectives for the new IAF is high on the priority list for the Design-Builder in this first period of contract performance, the Validation Period. If the Airport is to meet the Century Agenda energy goal of meeting future load growth through conservation or renewable energy, this new facility must meet or exceed current building codes for energy efficiency to advance our progress towards this goal. The project team will later seek commission direction in whether to certify the IAF with a Leadership in Energy and Environmental Design (LEED) rating as one opportunity to meet the Airport's sustainability goals. All IAF sustainability goals and objectives will be presented to the Commission in a project briefing at Validation Period completion.

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Community Benefits

Arriving at a new modern IAF, instead of to an aging over-crowded facility, will give foreign and returning US visitors an improved impression of the SeaTac area and the Pacific Northwest region as a whole. The new facility will accommodate existing operations, facilitate passenger movement, and provide a higher level of service for international passengers.

Additionally, in the course of delivering the project, the IAF team and the Port's Office of Social Responsibility will work together collaboratively to establish small business participation opportunities, in accordance with small business Resolution No. 3618.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1) – Postpone approval of authorization to award a design-build contract and conduct Validation Period work. This is not the recommended alternative.

PROS:

- Permits Port and key stakeholders including senior-level representatives of all signatory airlines to complete joint airport/airline planning review of the IAF Program before any further major action.

CONS:

- Denies Port and key stakeholders the benefit of the Design-Builder's input in the planning review, project scope and funding discussion.
- Delays current schedule and curtails current project momentum.
- Strains the Airport's ability to sustain international service in a manner consistent with the Port's Century Agenda.
- Increases final project cost due to escalating labor and material costs.
- Risks the loss of some key members of the Design-Builder's team who would likely be deployed to other active projects.

Alternative 2) – Approve authorization to award a design-build contract and conduct Validation Period work. **This is the recommended alternative.**

PROS:

- Advances this critically needed project through completion of the Validation Period.
- Maintains current schedule.
- Permits the IAF team to develop the project definition to the next level of cost certainty – from 0% design to pre-conceptual design with commitment on cost and schedule by our Design-Build partner.

CONS:

- Commits the Port to financial expenditures in order to gain the receipt of the Design-Builder's Target Budget commitment at the end of the Validation Period.

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ATTACHMENTS TO THIS REQUEST

- Computer slide presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- May 26, 2015 – IAF Preliminary Funding Plan Motion
- April 28, 2015 – Service Agreement for Commissioning Services
- April 28, 2015 – Request Authorization to Execute Lease Agreement with SEATAC VENTURES 2010 LLC for International Arrivals Facility (IAF) Program Management Office Space near Sea-Tac International Airport.
- February 24, 2015 – Service Agreement for IAF Consultant Program Leader.
- January 27, 2015 – IAF Funding Plan.
- January 27, 2015 – IAF RFP Advertisement.
- January 13, 2015 – IAF Update.
- December 2, 2014 – IAF Scope and Budget Update.
- October 28, 2014 – IAF Q3 Quarterly Briefing.
- August 19, 2014 – IAF Q2 Quarterly Briefing.
- August 5, 2014 – IAF RFQ Advertisement.
- July 22, 2014 – IAF Progress Briefing.
- June 10, 2014 – IAF Update and Quarterly Briefing.
- May 6, 2014 – IAF Project Delivery Briefing.
- April 22, 2014 – Capital Program Briefing.
- March 11, 2014 – IAF Master Planning authorization.
- February 25, 2014 – IAF Program Briefing.
- November 19, 2013 – International Arrivals Facility Construction Management, testing and inspection; surveying and locating and safety service agreements.
- July 23, 2013 – International Arrivals Facility Project & Program Support; and Price Factor Design-build Methodology authorization.
- July 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- July 9, 2013 – Alternative Public Works Contracting Briefing.
- April 9, 2013 – Sea-Tac Airport International Arrivals Facility Briefing.
- June 26, 2012 – Briefing on Airport Terminal Development Challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – International Air Service Growth and Future Facility briefing.
- February 2, 2010 – Briefing on South Satellite Passenger Growth and Facility Considerations, Delta's Proposed Airline Lounge and Other Possible Future Aviation Projects.