

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7b
Date of Meeting November 10, 2015

DATE: October 23, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Senior Director, Capital Development
David Brush, IAF Program Leader
SUBJECT: International Arrivals Facility (IAF) Update Briefing (CIP #C800583)

SYNOPSIS

The Port contracted a Design-Build team to design and construct a new IAF at the Seattle-Tacoma International Airport using, for the first time, Progressive Design Build as the delivery method. November 17, 2015, will mark the end of the 120-day Validation Period—the first phase of the three-part Design-Build Contract. At that time, the Design-Builder will deliver three key deliverables: the Early Schematic Design that evolved from numerous concept options studied by the Design-Builder while working to find one that best satisfied the project requirements as set forth in the Project Definition Document (PDD); a Target Schedule; and a Target Budget (for design and construction). This briefing will update the Commission on the work performed to date by staff and the Design-Builder to define the starting point for design during the second contract phase.

To advance the project to that next phase, staff will return to the Commission on December 8, 2015, to request funding approval and authorization to amend the Design-Builder's contract, via the planned Post-Validation Amendment. That amendment will initiate the second of the Design-Build Contract's three phases - the Guaranteed Maximum Price (GMP) Development Period, which will include preliminary construction packages.

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, insurance, bond) as an additional selection factor.

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Acting under the authority of follow-on Commission approvals, staff contracted with the firm of Clark/SOM as the Design-Builder to undertake and successfully deliver this project. The contract with Clark/SOM is a phased contract covering 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 Post-GMP Period (full build).

Subsequent to the signing of the Design-Build Contract, the Commission passed a motion on May 26, 2015, calling for the following:

*The Commission will work with the airport staff to engage key stakeholders, including senior level representatives of all signatory airlines, in a **transparent joint airport/airlines planning review to be held over 90 days to discuss key issues** and work towards a solution to concerns raised about the project scope and funding. Such work will include outside subject matter experts with knowledge of large airport capital projects to provide input and guidance.*

As part of that review, technical discussions between airline and airport representatives were held on July 15 and July 29 and Commission hearings were held on July 14, 28, and August 11.

Staff also continued engagement with Customs and Border Protection (CBP) to further discuss innovation and deployment of new technologies as part of the design of the new IAF. To understand the level of innovation promoted and effectively incorporated at other airports, staff visited recent FIS renovation projects at four airports: Dallas/Fort Worth (DFW), Austin Bergstrom (AUS), Chicago O'Hare's T5 (ORD) and New York's Kennedy Airport T5i (JFK).

PROJECT DETAILS

Schedule

Complete Validation Period	November 17, 2015
Present Target Schedule and Target Budget	December 8, 2015
Start GMP Development Period	December 9, 2016
– Begin Design activities	December 9, 2016
Begin Construction activities	March 8, 2016
Establish GMP	4Q, 2016 (Estimate)

On October 9, the airlines reported a negative majority-in-interest (MII) ballot on the IAF. Therefore, certain preliminary construction work and procurement of long-lead items will not start until after March 8, 2016.

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FINANCIAL IMPLICATIONS

Budget Status and Source of Funds

The cost estimate for the IAF, as currently defined, is \$608.4 million. The project estimate is included in the 2015-2019 capital plan and the plan of finance within CIP #C800583. This project was originally approved by the airlines with the signing of the Signatory Lease and Operating Agreement (SLOA III) with a budget of \$300 million. It should be noted that the \$300 million cost figure, identified in early 2013, was based on 0% design. As the planning and programming work progressed and the overall scope of the project was better understood, the costs have increased primarily due to an additional 75,000 square feet of space required by CBP in the FIS, refined definition of vertical circulation at the sterile corridor and the width of the bridge, and addition of enabling projects required to be undertaken in order to execute the IAF program within the constraints of the existing airport facilities and operations.

An updated plan of finance will be developed upon completion of the validation period. Funding sources for the updated budget will continue to include the Airport Development Fund, future revenue bonds, and Passenger Facility Charges (PFCs) as presented during Commission briefings in July 2015 and consistent with the funding principles included in the May 26, 2015 motion. The funding plan will continue to be modified as needed based on changing circumstances (e.g., project costs, number of deplaning international passengers, FIS rates at other airports, terms of future airline agreement, etc.).

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.

In order to advance this project and to support operations in meeting the increasing demand on the FIS facilities, the opportunities to compress overall project duration afforded by the Progressive Design Build delivery method will be aggressively pursued.

ATTACHMENTS TO THIS BRIEFING

- Attachment A – Commission Update PowerPoint

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 11, 2015 – Special Meeting, Roundtable with Airline Representatives.
- July 28, 2015 – IAF Forum.
- July 14, 2015 - IAF Forum.
- June 23, 2015 – Authorization to Execute a Design-Build Contract.

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- 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.
- April 14, 2015 – Funding Plan Update
- 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.