

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 6c_attach_a
Date of Meeting December 8, 2015

Attachment A

Subject: International Arrivals Facility (IAF) Guaranteed Maximum Price (GMP) Development Period Authorization
(CIP #C800583)

SYNOPSIS

The Port contracted a Design-Build team to design and construct a new IAF at Sea-Tac using, for the first time, Progressive Design Build (PDB) as the delivery method. On November 17, 2015 the IAF Design-Builder completed the project validation work contracted for during the first 120-day phase of the Design-Build Contract. During that Validation Period, the Design-Builder reviewed existing conditions, tested program assumptions, quantified risks, and developed 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 Budget (for design and construction) and a Target Schedule. In order to advance the project to the next phase, staff is requesting authorization to execute the Post-Validation Amendment and one or more Early Work Amendments to allow design and preliminary construction work contemplated during the GMP Development Period (December 2015 to 4Q16) to proceed. In order to secure flexibility as to when specific design services and preliminary work are authorized, Port staff is requesting the authority to execute these amendments as well as subsequent change orders to allow individual elements of the scope identified in this memo to proceed, all within the revised budget limit. Design work will proceed immediately, but construction work will not proceed until March 6, 2016 as permitted under the terms of the of the negative MII vote provision of the Signatory Lease and Operating Agreement (SLOA III). This amendment would increase the current \$24.5M authorization by \$275.5M for a total of \$300M, provide an eighteen-month extension and amend the previous Commission Authorization for the IAF validation contract not-to-exceed to include sales tax for the estimated amount of \$570,000.

Staff also requests authorization to execute a contract for construction auditing services as provided in the Design-Build Agreement between the Port and Clark/SOM.

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BACKGROUND

In July 2013, the Commission approved preliminary funds to program a replacement of the existing under-sized and aging FIS facility in the SSAT 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 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.

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 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).

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.

On November 17, 2015, the IAF Design-Builder delivered the Target Budget and Target Schedule, the two critical Validation Period deliverables, along with the many other reports and plans required under the terms of the contract. The Design-Builder is now prepared to advance to the second phase of the contract—the Guaranteed GMP Development Period—during which design commences and certain preliminary construction work may, to the extent specifically authorized, proceed. During this period, the Design-Builder will continue to work to improve on the Target Budget and Target Schedule in order to establish the GMP.

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PROJECT DETAILS

Scope of Work

This authorization will permit design to commence immediately and will provide that preliminary construction work can proceed once the terms of the MII provision of the SLOA III are met.

Once the GMP has been negotiated, staff will return for Commission authorization to execute the third (and final) phase of the IAF Design-Build Contract.

Schedule

Validation Period complete	November 17, 2015
Finalize Target Budget and Target Schedule	1Q16
GMP Development Period start	December 9, 2016
– Begin Design activities	December 9, 2016
Begin Construction activities	(per terms of SLOAIII)
Establish GMP	4Q16 (Estimated)

FINANCIAL IMPLICATIONS

Budget/Authorization Summary

	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	\$275,500,000	\$0	\$275.5M*
Total Authorizations, including this request	\$300,000,000	\$0	\$300M
Remaining budget to be authorized	\$308,400,000	\$0	\$308.4M
Total Estimated Project Cost	\$603,800,000	\$4,600,000	\$608.4M

*Includes state sales tax

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 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.

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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.

Execution of the Post-Validation Period Amendment to the Design-Builder's contract will enable the Port to commence the second phase of the contract; the GMP Development Period and speed completion of the IAF to better support growing international traffic at Seattle-Tacoma International Airport.

TRIPLE BOTTOM LINE

Economic Development

Executing the Post-Validation Period Amendment with the Design-Builder to commence the GMP Development 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 will continue to be a priority for the Design-Builder in this second period of contract performance, the GMP Development 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.

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

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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 – Approve authorization to further fund this project and commence GMP Development Period work with design proceeding immediately and construction proceeding not before expiration of the SLOAIII prescribed 180 day waiting period for a MII ballot rejection. **This is the recommended alternative.**

PROS:

- Advances this critically needed project from the first of three contract phases to the second contract phase, the GMP Development Period.
- Maintains project momentum.
- Permits the IAF team to develop the project definition to the next level of cost certainty – from 0% design to GMP with our Design-Build partner.

CONS:

- -

Alternative 2 – Postpone approval of authorization to further fund this project. This is not the recommended alternative.

PROS:

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CONS:

- 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 3 – Approve authorization to fund an amendment allowing the Design-Builder to proceed with design only. This is not the recommended alternative.

PROS:

- Permits the IAF team to develop the project definition to the next level of cost certainty – from 0% design to GMP with our Design-Build partner.
- Provides opportunity for additional airline/airport debate.

CONS:

- Delays current schedule and curtails current project momentum.

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- 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.
- Constrains a key beneficial feature of the PDB project delivery method; early collaboration between designer and constructor to identify and quantify risk concurrent with design development.
- Risks default of the current Design-Builder procurement.
- Risks the loss of some key members of the Design-Builder's team who would likely be deployed to other active projects.

ATTACHMENTS TO THIS BRIEFING

- Attachment A – PowerPoint presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- November 10, 2015 – IAF Update.
- 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.
- 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.

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- 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.