

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No. 4f
Date of Meeting February 9, 2016

DATE: February 2, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Managing Director Capital Development Division
David Brush, IAF Program Leader
George England, NSTAR Program Leader
SUBJECT: International Arrivals Facility (IAF) December 8, 2015, Authorization
Correction (CIPs #C800583 and #C800556)

ACTION REQUESTED

Request Commission approval of a technical correction to the action request of agenda item 6c of December 8, 2015, that does not alter the authorization amounts or the projects for which authorization was granted, to read as follows: Request Commission authorization for the Chief Executive Officer to take the following actions to advance two significant capital projects at Seattle-Tacoma International Airport, as described in Attachments A and B, by (1) increasing project authorizations, and executing contract amendments and change orders for the International Arrivals Facility Program in the amount of \$275.5 million and for the North Satellite Renovation & North Satellite Transit Station Lobbies Project in the amount of \$98.1 million for a total of \$373.6 million additional authorization for the two projects; (2) executing a contract for project specific construction audit services for the term of each project; and (3) amending the previous Commission authorization for the IAF validation contract not-to-exceed amount to include sales tax for the estimated amount of \$570,000.

BACKGROUND

On December 8, 2015, the Commission approved a combined action request to advance two significant capital projects at Seattle-Tacoma International Airport; the International Arrivals Facility and the North Satellite Renovation & North Satellite Transit Station Lobbies Project. Following Commission approval of this request, it was noted that the request restricted the authorization to specific contractors and limited funding the program as intended and as described in the presentation. The proposed corrected authorization does not alter the authorization amounts, nor the projects or purposes for which the authorizations were sought and as described to the Commission during presentation on December 8.

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

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

DATE: December 2, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Ralph Graves, Managing Director Capital Development Division
David Brush, IAF Program Leader
George England, NSTAR Program Leader
SUBJECT: International Arrivals Facility (IAF) Guaranteed Maximum Price (GMP)
Development Period Authorization
(CIP #C800583)
North Satellite Renovation & North Satellite Transit Station Lobbies
Project (NSAT)
(CIP #C800556)

ACTION REQUESTED

Request Commission authorization for the Chief Executive Officer to take the following actions to advance two significant capital projects at Seattle-Tacoma International Airport (Sea-Tac), the details of which are described in Attachments A and B for:

- 1) Increasing project authorizations, and execute contract amendments and change orders to; Clark/SOM in the amount of \$275.5 million for the IAF and Hensel Phelps General Contractor/Construction Management (GC/CM) in the amount of \$98.1 million for the NSAT, for a total of \$373.6 million additional authorization for the two projects.
- 2) Execute a contract for project specific construction audit services for the term of each project.
- 3) Amend the previous Commission Authorization for the IAF validation contract not-to-exceed to include sales tax for the estimated amount of \$570,000.

INTRODUCTION

Sea-Tac is experiencing record growth driven both by one of the fastest growing regional economies, the draw of the Seattle Tacoma metropolitan area, and by domestic and international airline service successes. This has resulted in a shortage of aircraft gates and existing facilities that cannot accommodate the demands of customers and passengers. Additionally, both the North Satellite and the South Satellite, which houses the existing Federal Inspection Services (FIS) for processing arriving international passengers, were

PORT OF SEATTLE
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COMMISSION AGENDA
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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.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 2, 2015

Page 3 of 7

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.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 2, 2015

Page 5 of 7

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:

- -

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.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 2, 2015

Page 7 of 7

- 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.

December 8, 2015

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 8, 2015

Page 2 of 10

On March 17, 2015, the Commission previously authorized the use of Port Crews for preliminary construction and during the NSAT building expansion. Port crews may also perform portions of the work now being requested.

Based on the completion of 60% design and reconciliation of the estimated cost, the preliminary NSAT project cost estimate has increased by \$79.5 million from \$421.7 million established in March 2015 to \$501.2 million, a growth of 19%. The growth in the estimated cost and initial value engineering cost reductions are detailed below. Though value engineering efforts continue, there are insufficient reductions to achieve the original project budget. However, the project team is not recommending the budget be increased until bid results for the preliminary work are received in February 2016 to validate whether actual market conditions, subcontractor pricing, and labor or subcontractor shortages have escalated as currently estimated. These data will be essential to finalizing the estimated cost of the project. Staff currently forecasts the estimated cost of the project to range between \$470,000,000 and \$490,000,000 as of the date of this memo and will update the Commission in March 2016 after actual preliminary work bid results and market conditions have been analyzed and the design has progressed further toward completion.

This project is being coordinated with the Sustainable Airport Master Plan (SAMP) and will not be adversely affected by future development recommendations of SAMP.

BACKGROUND

In August 2014, the Commission approved a budget of \$405,532,944 which increased the project scope to expand the building by five additional aircraft gates to a total of twenty gates, and the use of a General Contractor/Construction Manager contractor for the North Satellite construction. In March 2015, the Commission approved the current budget of \$421,682,944 with the addition of \$14,400,000 for expansion of the baggage handling system within the expanded portion of the building and transfer of the previously authorized Satellite Transit System tunnel leak repair project. Commission also authorized use of \$4,900,000 of the NSAT budget in March 2015 for preparatory work for construction offices, relocating loading bridges, a dynamic display system for the north loop of the satellite train system, and reimbursement to Puget Sound Energy for a natural gas connection to the satellite.

At the completion of the 30% design phase in October 2014, thirteen (13) additional scope items were added to the project for further refinement and evaluation during 60% design and the revised 60% project budget is now estimated at \$501.2 million. The possibility existed that added costs might be covered within the design allowance or other project contingencies of the estimate during 60% development. The potential impact of these scope additions on the budget has been continually identified as a risk in the Q4 2014 and 2015 NorthSTAR Quarterly Updates to the Commission. With the completion of the 60% design, the current project cost estimate would increase the budget by \$79.5 million or 19%. This revised estimate has been reconciled by the Port with the designer's and the General Contractor/Construction Manager's independent estimates. The result has been a more accurate, but higher estimated cost to accomplish the project.

The most significant contributing factor to the increased current budget estimate, representing about half of the \$79.5 million increase, is the thirteen added scope items now estimated at \$35.4 million, up \$5.4

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 8, 2015

Page 4 of 10

options due to the duration of this project and the General Contractor/Construction Manager contract with Hensel Phelps.

Staff requests the preconstruction services being provided by Hensel Phelps continue until the Phase 1 construction of the building is underway, currently forecast to begin July 2016. Significantly more hours have been spent on preconstruction services than originally anticipated due to delays incurred concluding the 60% design and additional effort required for reconciling the cost of the project, conducting value engineering efforts, and optimizing the construction phasing plan. An additional cost of \$1,200,000 is estimated for these preconstruction services. The cost for the audits and additional preconstruction services are both included in the \$98.1 million authorization request and the overall budget.

Project Objectives

- Extend the length of NSAT by approximately two hundred forty feet to improve customer service and accommodate additional aircraft and passengers.
- Seismically strengthen NSAT and expand the existing infrastructure.
- Balance and integrate NSAT functional areas and requirements (concessions, holdrooms, amenities, airline operations and airline services) through a renovation and expansion of the NSAT's terminal area to achieve acceptable levels of service.
- Align near term and forecasted airport-wide gate use and capacity by providing a total of 20 contact gates at NSAT.
- Optimize gate door contact points, loading bridges and aircraft parking positions, including fuel hydrants and other support utilities.
- Meet or exceed current sustainability goals of the Century Agenda with potential LEED certification.
- Create a "frictionless" and stress-free passenger experience within NSAT.
- Create an exciting and attractive facility integrating hold-rooms, diverse amenities and numerous concessions.
- Maintain and promote a Northwest sense of place through the design of architecture and connected technologies.

Scope of Work

This request includes the following elements associated with the requested authorizations:

- Preliminary work to relocate existing passenger loading bridges and aircraft positions, reconfigure fuel pits, relocate gate infrastructure, re-route site utilities, construct access stairs for ground boarded aircraft, mass excavation, shoring, concrete panels and drill shaft foundations, purchase and install a section of fixed loading bridge, selective demolition, construct a waterproof enclosure the north end of the building, and purchase the structural steel, vertical circulation components, major electrical and mechanical equipment, fuel hydrants, curtainwall system and other long-lead items for the entire project.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 8, 2015

Page 6 of 10

Revised budget	\$415,882,944	\$5,800,000	\$421,682,944
Previous Authorizations	\$62,118,800	\$1,000,000	\$63,118,800
Current request for authorization	\$95,600,000	\$2,500,000	\$98,100,000
Total Authorizations, including this request	\$157,718,800	\$3,500,000	\$161,218,800
Remaining budget to be authorized	\$258,164,144	\$2,300,000	\$260,464,144
Total Estimated Project Cost	\$415,882,944	\$5,800,000	\$421,682,944

Note: The estimated cost of the project is currently forecasted at \$470-490 million. The final estimated project cost will be determined after the Port and Contractor negotiate the final Maximum Allowable Construction Cost (MACC) based on actual bid results.

Project Cost Breakdown

	This Request	Total Project Budget
Construction Phase	\$90,415,000	\$334,344,600
Design Phase	\$0	\$58,386,744
State & Local Taxes (estimated)	\$7,685,000	\$28,951,600
Total	\$98,100,000	\$421,682,944

Budget Status and Source of Funds

This project is included in the 2016 – 2020 capital budget and plan of finance with a budget of \$415.8 million. The possible budget increase, if approved, would be transferred from the Aeronautical Allowance CIP (C800404) resulting in no net change to the Aviation Division capital program. The project will be funded with a combination of Airport Development Fund, revenue bonds and Passenger Facility Charge revenues (PFCs).

The terms under which AAG will participate in the Port's NorthSTAR Program costs have been established via an April 5, 2012, Letter of Understanding between the Port and AAG. The airlines will be briefed in the second or third quarter of 2016 with regard to the increase in budget. The formal majority-in-interest (MII) project approval process outlined in the Signatory Lease and Operating Agreement (SLOA) may be utilized, with the Port submitting a ballot to the airlines seeking approval of the increased project budget. Under SLOA, the Port as an option may elect to use Management Reserve funds in lieu of the MII approval process. The requested authorization for the Preliminary Work Package is within the current MII approved amount.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 8, 2015

Page 8 of 10

the project objectives, the Port Century Agenda goals, and the Airport's Environmental Strategy. Port staff has engaged AAG in developing the environmental aspects and process. Each scope item has been evaluated individually based upon the total cost of ownership for the expected life of the facility. The specific scope features include:

- Energy conservation for building infrastructure.
- Water conservation for the facility including rainwater harvesting for use in the building.
- Construction and operations waste minimization.
- Incorporation of new technology.
- Exceed current building codes.

This project intends to pursue Leadership in Energy and Environmental Design (LEED) for this project and will continue to evaluate other environmental initiatives as the design progresses.

Community Benefits

Project managers are coordinating with the Office of Social Responsibility to maximize small business participation opportunities including, but not limited to, Small Contractors and Suppliers (SCS) participation in accordance with Small Business Resolution No. 3618.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternate 1 - Current Schedule: Proceed with current expansion/design project scope and phasing with or without AAG concurrence. **This is the recommended alternative.**

PROS:

- Maintains Port's programmatic objectives including addition of necessary gates, improved NSAT customer services and operations, increased non-airline revenues, etc.
- Achieves Port functional and design objectives.
- Savings will be achieved by value engineering.

CONS:

- Project current cost estimate exceeds approved \$421 million budget and is forecasted to range between \$470,000,000 and \$490,000,000.
- Project current cost estimate is greater than 10% above the budget approved in the MII, requiring airline MII vote or use of SLOA management reserve.
- Working on AAG concurrence but proceeding without AAG could risk damage to airline/airport relationships.

Alternative 2 - Defer project budget and Preliminary Work Package authorization until January 2016.

PROS:

- Provides additional time to further reconcile the budget cost estimate before seeking authorization, and provides time for AAG concurrence if not already obtained.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

December 8, 2015

Page 10 of 10

- 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 General Contractor/Construction Manager 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.
- 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.