



**COMMISSION
AGENDA MEMORANDUM**

Item No. 9a

BRIEFING ITEM

Date of Meeting March 27, 2018

DATE: March 20, 2018

TO: Stephen P. Metruck, Executive Director

FROM: Ralph Graves, Senior Director, Capital Development
David Brush, IAF Program Leader

SUBJECT: International Arrivals Facility (IAF) Program Update (CIP #C800583)

EXECUTIVE SUMMARY:

The purpose of the International Arrivals Facility (IAF) program is to provide expanded capacity for immigration and customs processing of arriving international flight passengers. Design is nearly complete and construction is advancing. This Memo updates the Port Commission on the program's progress since the last overview on November 14, 2017.

PROJECT UPDATE:

Design is nearing the 100% completion milestone, Clark has bid 98% of the trade work, construction stands at 15% complete and the Port has disbursed approximately 24% of the design-build contract; however, the negotiation of the Guaranteed Maximum Price (GMP) has not yet concluded. It is forecasted that a fair and reasonable number will be negotiated for the GMP by April 30th of this year. That GMP will include several key cost components including General Conditions (design-builder staff), General requirements (jobsite support equipment, facilities and services), Direct Costs (bid/contracted work and unbid work), Design-Builder Allowance, Risk Contingency and Design Fees. The negotiations also include a detailed discussion of (and required agreement on) assumptions used to generate estimates for the foregoing cost components.

BUDGET:

The original Project Notebook Budget was \$608.4M. In late 2015, the design-builder independently validated that number which contractually created the IAF "Target Budget". On several occasions, the Commission increased the Target Budget to accommodate added scope e.g., the extension of the Sterile Corridor, acceleration of the Phase 2 work, providing an opportunity to expand the outbound baggage operation, and the reconfiguration of the narrow body aircraft on the South Satellite. Those approved scope additions resulted in an Adjusted Target Budget of \$684.4M to which the design-builder was to design. As design proceeded it became apparent that the design-builder would be unable to achieve the budget. Accordingly,

Meeting Date: March 27, 2018

in August 15, 2017, the Port Commission increased the IAF project funding to \$790M to address the \$106M budget overrun reported by the design-builder at the time.

By way of background, in late 2015, the design-builder, Clark Construction, concluded the first of three contract phases, the Validation Period, when it completed a conceptual design and established a Target Budget and Target Schedule. In response, in January 2016 the Port authorized the design-builder to commence design of the new IAF. Throughout that entire year and half way into the next year the design-builder continued to reaffirm to the Port that the budget and schedule were achievable, however, by mid-2017 it became apparent that the design-builder had exceeded its adjusted design-to-budget by approximately \$100M. Additionally, once construction commenced in August 2017, hazardous polychlorinated biphenyls (PCBs) were discovered on the IAF Building site that required costly remediation. Finally, in late 2017, when the design was approaching the 90% completion mark, certain equipment specifications and project occupancy requirements changed late in the design process driving additional costs and further delaying the schedule. Although a final GMP number has not been agreed, it is forecast that, in the aggregate, these factors could cause the final project completion cost to rise to \$830M (\$40M over the currently approved project funding of \$790M or \$146M over the Adjusted Target Budget of \$684M).

Description of Forecasted Cost Overruns:	
Seattle Market Conditions	\$14M
Clark Understated the Original Target Budget	\$29M
Misjudged Code Requirements (ex. Smoke Control)	\$22M
Failure to Design to the Adjusted Target Budget	\$35M
Baggage Handling System Enhancements and Changes to the Equipment Specifications	\$13M
Emergency Generator Change	\$4M
Remediation of PCBs on IAF Building Site	\$4M
CBP Facial Recognition (Addition of a 3rd Escalator)	\$1M
Occupancy Classification Change in Bagwell	\$2M
Schedule Phasing/Complexity	\$5M
Increased Costs Driven by Above Cost Overruns (WA B&O Tax, Sales Tax rate, Builder’s Risk, etc.)	\$17M
Total	\$146M

Meeting Date: March 27, 2018

SCHEDULE:

The IAF consists of three major building components, the main IAF Building, Passenger Walkway and Sterile Corridor. The original Target Schedule showed the completion of all three project elements to be coterminous in September 2019. The added Pod D of the Sterile Corridor is scheduled to be completed in August 2020. The Passenger Walkway and Sterile Corridor elements remain on that original schedule, but due to some of the factors mentioned above, the opening of the main IAF building is currently expected to be delayed until February 2020 (a five-month delay). The project team and Clark are exploring measures that could accelerate the remaining work in order to deliver it as close as possible to the original September 2019 date. Such acceleration would further increase costs. Cost information that would permit a decision to be made in this matter will be made available by the contractor in the coming month.

ADDITIONAL BACKGROUND

None

ATTACHMENTS TO THIS BRIEFING

PowerPoint presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

November 14, 2017 – The Commission was briefed on 3rd quarter 2017 progress.

August 15, 2017 – The Commission authorized the balance of IAF funding in a joint request with the NSAT project.

March 28, 2017 - The Commission authorized additional IAF funding.

October 11, 2016 – The Commission authorized IAF to add balance of Phase 2 for accelerated execution.

September 27, 2016 – The Commission was briefed on IAF reconsidering phasing and project update.

September 13, 2016 – The Commission authorized IAF FAA reimbursement agreement.

July 12, 2016 – The Commission authorized IAF to add Phase 2 scope to meet continuing rapid growth.

June 28, 2016 – The Commission was briefed on two additional international aircraft gates at IAF to meet continuing rapid growth briefing.

May 17, 2016 – The Commission was briefed on Plan of Finance update.

April 26, 2016 – The Commission was briefed on IAF 1Q2016 update.

February 9, 2016 - The Commission was briefed on IAF 4Q2015 update.

December 8, 2015 – IAF guaranteed maximum price (GMP) Development Period authorization (presented in combination with NSAT authorization request).

November 10, 2015 – The Commission was briefed on IAF update.

August 11, 2015 – The Commission lead a special roundtable meeting with airline representatives.

Meeting Date: March 27, 2018

- July 28, 2015 – The Commission lead an IAF forum.
- July 14, 2015 – The Commission lead an IAF forum.
- June 23, 2015 – The Commission authorized execution of the IAF Design-Build Contract.
- May 26, 2015 – The Commission approved IAF preliminary funding plan motion.
- April 28, 2015 – The Commission authorized a service agreement for Commissioning Services.
- April 28, 2015 – The Commission authorized execution of a lease agreement with SEATAC VENTURES 2010 LLC for IAF program management office space near Sea-Tac International Airport.
- February 24, 2015 – The Commission authorized a service agreement for IAF consultant program leader.
- January 27, 2015 – The Commission was briefed on IAF funding plan.
- January 27, 2015 – The Commission approved IAF request for proposals advertisement.
- January 13, 2015 – The Commission was briefed on IAF update.
- December 2, 2014 – The Commission was briefed on IAF scope and budget update.
- October 28, 2014 – The Commission was briefed on IAF 3Q2014 update.
- August 19, 2014 – The Commission was briefed on IAF 2Q2014 update.
- August 5, 2014 – The Commission authorized IAF request for qualifications advertisement.
- July 22, 2014 – The Commission was briefed on IAF progress.
- June 10, 2014 – The Commission was briefed on IAF 1Q2014 update.
- May 6, 2014 – The Commission was briefed on IAF project delivery.
- April 22, 2014 – The Commission was briefed on capital program.
- March 11, 2014 – The Commission authorized IAF master planning.
- February 25, 2014 – The Commission was briefed on IAF program.
- November 19, 2013 – The Commission authorized IAF construction management, testing and inspection; surveying and locating and safety service agreements.
- July 23, 2013 – The Commission authorized IAF project and program support; and price factor design-build methodology.
- July 9, 2013 – The Commission was briefed on IAF.
- July 9, 2013 – The Commission was briefed on alternative public works contracting.
- April 9, 2013 – The Commission was briefed on IAF.
- June 26, 2012 – The Commission was briefed on airport terminal development challenges at Seattle-Tacoma International Airport.
- June 14, 2011 – The Commission was briefed on international air service growth and future facility.
- February 2, 2010 – The Commission was briefed on South Satellite passenger growth and facility considerations, Delta's proposed airline lounge and other possible future aviation projects.