



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8c

**ACTION ITEM**

**Date of Meeting** July 10, 2018

**DATE:** July 5, 2018  
**TO:** Stephen P. Metruck, Executive Director  
**FROM:** Mike Tasker, Senior Manager Aviation Facilities and Infrastructure  
Wayne Grotheer, Director Aviation Project Management  
**SUBJECT:** Consolidated Rental Car Facility (CRFC) Renewal (CIP #C800977)

**Amount of this request:** \$1,368,000  
**Total estimated project cost:** \$10,487,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to take the following actions with respect to the Consolidated Rental Car Facility Renewal Project: (1) execute a professional services contract for design services, (2) proceed with the design and preparation of contract bid documents, and (3) use Port Construction Service (PCS) crews to perform the early construction work. Total amount being requested under this authorization is \$1,368,000.

**EXECUTIVE SUMMARY**

The Consolidated Rental Car Facility (“CRCF”) requires that several assets be renewed sooner than anticipated. The CRCF Lease Agreement between the Port and the Rental Car Operators (“Operators”) includes provisions for major maintenance improvements during the life of the facility. According to the Lease, the Port is responsible for completing major maintenance improvements, which are to be funded from a major maintenance fund supported by Customer Facility Charges (CFCs). CFCs are collected from rental car customers and the funds are restricted for capital and operating costs that support the CRCF and rental car operations at the airport. This project is included in the 2018 – 2022 capital budget and plan of finance. The current estimated project cost will result in budget savings of \$930,000.

A parallel effort is looking into whether any of the assets being renewed could be attributed to Design (Error & Omission) or Construction (Latent Defect), more information about this effort is located in the “Additional Background” section of the memo.

**JUSTIFICATION**

The project scope includes a number of major maintenance improvements for the facility that the Port has the responsibility to complete under the terms of the CRCF Lease Agreements. The Operators have requested that the Port complete these improvements as expeditiously as

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possible since many are essential to their operations. This project supports the Port’s Century Agenda strategy of advancing this region as a leading tourism destination and business gateway by meeting the region’s air transportation needs at Sea-Tac Airport for the next 25 years.

**DETAILS**

This project is proposed to be completed in two phases, an early work phase and then the major works contract, in order to support the Operators’ request for expediency. The early work phase will be completed utilizing PCS crews and small works construction contracts, which are typically performed by small businesses. This phase will include the replacement of the 5th Floor expansion joints, the improvements for the Bridge 2 abutments, and the replacement of the 5th Floor topping slab only at two critical locations. The remaining work will be completed in a later phase through a major works construction contract that will require future authorization.

***Scope of Work***

The project will complete the major maintenance improvements described below and identified in the attached presentation slides.

- (1) Complete structural improvements to address spalling at the Bridge 2 abutments
- (2) Replace and upgrade the 5<sup>th</sup> Floor expansion joints in the bus operation area
- (3) Replace and upgrade portions of the 5<sup>th</sup> Floor topping slab in the bus operation area due to excessive cracking and spalling
- (4) Route and seal cracks in the deck and beams of both Helices
- (5) Complete pavement rehabilitation on the existing S. 160<sup>th</sup> St. driveway
- (6) Replace the weatherproofing membrane at all the carwash areas at the CRCF located on the second and fourth levels of the facility

***Schedule***

Design start	2018 Quarter 3
Early Work construction start	2018 Quarter 3
Commission construction authorization	2018 Quarter 4
Construction start	2019 Quarter 1
In-use date	2019 Quarter 3

***Cost Breakdown***

	This Request	Total Project
Design	\$1,222,000	\$1,330,000
Construction	\$146,000	\$9,157,000
Total	\$1,368,000	\$10,487,000

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

Three options were considered as follows:

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**Alternative 1** – Under this alternative no major maintenance improvements are completed for the CRCF

Cost Implications: \$0.00

Pros:

- (1) Capital investment is not required by the Port.

Cons:

- (1) The Port does not meet its obligations under the terms of the CRCF Lease Agreement.
- (2) Further damage could occur to the CRCF that could make portions of the facility unusable by the Operators and significantly reduce the asset life of the facility.

This is not the recommended alternative.

**Alternative 2** – Under this alternative only a portion of the major maintenance work is completed for the CRCF. The work on the helix decks and beams, and the replacement of the weatherproofing membrane in the fuel and car wash areas on two floors are not included and would be addressed as part of separate project and constructed at a later date.

Cost Implications: \$12,434,000

Pros:

- (1) Reduces the Port's initial capital investment (total cost of \$8,939,000) by only addressing the most critical items.
- (2) The Port meets its obligations under the terms of the CRCF Lease Agreement.
- (3) The improvements which are addressed will help with prolonging service life of that asset of the facility.
- (4) Supports the expedited completion of critical work.

Cons:

- (1) Requires the greatest overall capital investment by the Port funded by CFC revenues. The deferred work, if completed five years after this project, would have an estimated cost of \$3,495,000. The overall capital investment of both efforts would be \$12,434,000.
- (2) Significant impacts to facility operations during construction.
- (3) The helices and fuel and car wash areas not included in the scope would experience further wear and tear and a loss in durability that shortens the expected life of each asset. Additional improvements would eventually be required in the near-term at these locations at greater cost and impact to facility operations.

This is not the recommended alternative.

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**Alternative 3** – Under this alternative the full scope of the major maintenance improvements are completed for the CRCF.

Cost Implications: \$10,487,000

Pros:

- (1) The Port meets its obligations under the terms of the CRCF Lease Agreement.
- (2) The improvements are completed that maintain or prolong the asset life of the facility.
- (3) Supports the expedited completion of critical work.

Cons:

- (1) Requires significant capital investment by the Port funded by CFC revenues.
- (2) Significant impacts to facility operations during construction.

***This is the recommended alternative.***

**FINANCIAL IMPLICATIONS**

<i>Cost Estimate/Authorization Summary</i>	Capital	Total
<b>COST ESTIMATE</b>		
Original estimate	\$11,417,000	\$11,417,000
Current change	(\$930,000)	(\$930,000)
Revised estimate	\$10,487,000	\$10,487,000
<b>AUTHORIZATION</b>		
Previous authorizations	\$90,000	\$90,000
Current request for authorization	\$1,368,000	\$1,368,000
Total authorizations, including this request	\$1,458,000	\$1,458,000
Remaining amount to be authorized	\$9,029,000	\$9,029,000

***Annual Budget Status and Source of Funds***

This project #C800977 was included in the 2018-2022 capital budget and business plan prospective in amount of \$11,417,000. A budget reduction of \$930,000 will be transferred to #C800754 Non-aeronautical Allowance. This project will be funded by Customer Facility Charge (CFC) fund per the terms of the CRCF Lease Agreement.

***Financial Analysis and Summary***

Project cost for analysis	\$10,487,000
Business Unit (BU)	Rental Cars Facility
Effect on business performance (NOI after depreciation)	NOI after depreciation will decrease due to increased depreciation.
IRR/NPV (if relevant)	N/A
CPE Impact	N/A

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***Future Revenues and Expenses (Total cost of ownership)***

According to the terms of the CRCF Lease Agreement the Operators are responsible for the majority of the on-going operating and maintenance costs of the facility.

**ADDITIONAL BACKGROUND**

Staff believes that some of the major maintenance improvements are needed as a result of design errors and omissions or construction latent defects. This includes the Bridge 2 abutment, the helix deck and beams, and the 5th Floor topping slab. There is a separate effort underway, with the cooperation and involvement of the contractor and designers, to investigate the underlying cause of the issues and to determine an appropriate allocation of responsibility. Findings from this assessment could support the Port in seeking reimbursement of the Port's costs from either the Designer of Record (errors and omissions) or the Contractor (latent defects), respectively. If the Port does ultimately receive reimbursement by either the Designer of Record or Contractor, those funds will be used to replenish the CFC Fund to the extent the costs reimbursed were paid for with funds from the CFC Fund.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None