



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 8h

**ACTION ITEM**

**Date of Meeting** December 15, 2020

**DATE:** December, 4, 2020

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Wendy Reiter, Director Aviation Security  
Wayne Grotheer, Director Aviation Project Management

**SUBJECT: Authorization for Alternative Project Delivery Terminal Security Enhancements (CIP #C800862)**

**Amount of this request:** \$1,500,000

**Total estimated project cost:** \$21,400,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to: 1) utilize the traditional design-build contracting methodology, 2) advertise and award the design-build contract, and 3) complete final design and construct Phase II of the Terminal Security Enhancements project at Seattle-Tacoma International Airport (Airport). An additional budget in the amount of \$1,500,000 is included in the request for a total estimated cost of \$21,40,000.

**EXECUTIVE SUMMARY**

The Terminal Security Enhancements (TSE) Phase II project is intended to improve passenger safety with the installation of structural bollards along the airport's arrivals and departures curbsides, the courtesy vehicle plaza, and the pedestrian sky bridge entrances in the main garage. The installation of these bollards has been identified as a key component of the overall comprehensive security program at the airport. The project will also complete the Americans with Disabilities Act (ADA) access improvements along the arrivals and departures curbsides.

The project was advertised in 2019 with competitive bids coming in well above budget. To reduce costs, Port staff determined to split the procurement of the bollard materials from the construction contract, as an owner-furnished contractor-installed material. An evaluation of the bollard contract was performed, and construction bids were opened with results well within the authorized budget. The bollard procurement was then protested by multiple vendors. Following an administrative hearing for the protests, the bollard procurement was cancelled. The Port also cancelled the major construction procurement because of the interdependency of the bollards purchase with the install contract. The project team reassessed the project and given the complexity of the project and how the bollards are structurally connected to our existing

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facilities, concluded that the design-build alternative delivery method is the best option for delivering the project scope while addressing procurement and construction risks.

This project was initially approved by a majority-in-interest (MII) vote of the signatory airlines per the Signatory Lease and Operating Agreement (SLOA). The project increase of \$1,500,000 will not require an additional MII vote, since the increase is less than the 10% allowed per the SLOA.

### **JUSTIFICATION**

The Phase II of the TSE program is necessary as it will provide security improvements, accessibility improvements as recommended by the Accessibility Study completed by the Open Doors Organization (ODO), and corrective actions per an agreement with the FAA. These improvements support the Port's goal of making SEA the most accessible airport in the nation for people with disabilities and provide a safe environment for SEA's passengers, staff and visitors.

#### ***Diversity in Contracting***

Project staff worked with the Diversity in Contracting Department and have established an eight percent (8%) Women- and Minority-Owned Business Enterprise (WMBE) aspirational goal for the project supporting the Port's objective of increasing WMBE participation in Port contracts.

### **DETAILS**

On July 23, 2019, the project was advertised for construction bids with an engineer's estimate in the amount of \$8,568,103 for a total estimated project cost of \$16,116,000. The Port cancelled the procurement because all bids significantly exceeded the engineers estimate and the Port determined it was in our best interest to re-design the project and delivery method. Based upon the bids received the total estimated project cost was \$24,000,000.

On January 28, 2020, the Commission authorized the procurement of the structural bollards as owner procured materials to increase competition resulting in a lower bollard cost. A total of five proposals were received, ranging in cost from \$1.5 to \$2.9 million. A notice of intent to award was issued on August 3, 2020.

After issuing the notice of intent to award for the bollard procurement, multiple vendors protested the selection in early September. Following an administrative hearing for the protests, the bollard procurement was cancelled. As a result of this decision, the dependent major works construction procurement was also cancelled. Bids had just been opened for the major works construction contract where the low apparent bidder was 34% below the engineer's estimate.

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Additionally, the Federal Aviation Administration (FAA) received a complaint regarding the lack of accessibility improvements on the curbside and has requested that the airport remedy the situation. FAA has been notified of the delayed project schedule and understands the decision to cancel the contracts.

**Scope of Work**

The project will install security and ADA access improvements at the entrances to the main terminal from the arrivals and departures curbsides. The number of accessible loading zones will increase from two to 12 on the arrival’s curbside, and from three to 12 on the departure’s curbside. Security improvements will also be installed in the Main Garage at the entrance to each of the six pedestrian sky bridges and along the third-floor courtesy vehicle plaza.

**Schedule**

*Activity*

Commission Authorization	2020 Quarter 4
Issue Request For Qualifications (RFQ)	2021 Quarter 1
Issue Request For Proposal (RFP)	2021 Quarter 1
Construction start	2021 Quarter 3
In-use date	2022 Quarter 4

**Cost Breakdown**

	This Request	Total Project
Design	\$1,500,000	\$3,397,104
Construction	\$0	\$17,402,896
Total	\$1,500,000	\$21,400,000

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

**Alternative 1** – Do not proceed with Phase II of the TSE project

Cost Implications: \$ 1,302,000 for a total of \$4,300,000 (includes Phase I)

Pros:

- (1) No capital investment by the Port.

Cons:

- (1) Does not increase the safety and security of the occupants of the Main Terminal.
- (2) Does not fulfill obligation to FAA to enhance ADA accessibility at the Main Terminal curbside.
- (3) A total of \$1,302,000 would need to be expensed.

This is not the recommended alternative.

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**Alternative 2** – Proceed with bollard installation and ADA access ramp improvements using design-bid-build approach.

Cost Implications: Minimum of \$16,182,912 for a total of \$19,500,000 (includes Phase I)

Pros:

- (1) The safety and security of the occupants of the Main Terminal will be increased.
- (2) The arrival and departures curbside will become compliant with current ADA standards and helps expedite achieving the Port goal of making the Airport the most accessible airport for people with disabilities in the nation.
- (3) Existing design can be re-used and modified to support this approach.

Cons:

- (1) Requires capital investment of over \$16 million by the Port.
- (2) Longer implementation schedule than traditional design-build approach.
- (3) Potential for significant budget increase since structural improvements would need to be designed to support range of bollard vendors.

This is not the recommended alternative.

**Alternative 3** – Proceed with bollard installation and ADA access ramp improvements using traditional design-build approach.

Cost Implications: \$17,682,912 for a total of \$21,400,000 (includes Phase I)

Pros:

- (1) The safety and security of the occupants of the Main Terminal will be increased.
- (2) The Arrivals and Departures curbsides will become compliant with current ADA standards and helps expedite achieving the Port goal of making the Airport the most accessible airport for people with disabilities in the nation.
- (3) Approach places risk with design builder who is in a better position to address risk related to bollard design and installation and interaction with connected structures.
- (4) Design build allows for efficiencies and supports innovation.
- (5) Shorter implementation schedule than design-bid-build approach.

Cons:

- (1) Requires capital investment of over \$17 million by the Port.
- (2) Will require approximately \$1,100,000 of current project costs to be expensed given change in procurement approach.

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

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**FINANCIAL IMPLICATIONS**

<b>Cost Estimate/Authorization Summary</b>	<b>Capital</b>	<b>Expense</b>	<b>Total</b>
<b>COST ESTIMATE</b>			
Original estimate	\$9,854,000	\$0	\$9,854,000
Previous changes – net	\$9,541,885	\$504,115	\$10,046,000
Current change	\$400,000	\$1,100,000	\$1,500,000
Revised estimate	\$19,795,885	\$1,604,115	\$21,400,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$19,395,885	\$504,115	\$19,900,000
Current request for authorization	\$400,000	\$1,100,000	\$1,500,000
Total authorizations, including this request	\$19,795,885	\$1,604,115	\$21,400,000
Remaining amount to be authorized	\$0	\$0	\$0

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

This project was included in the 2020 – 2024 capital budget and Plan of Finance with a budget amount of \$15,323,000. A budget increase of \$4,472,885 was transferred from the Aeronautical Reserve CIP (C800753) resulting in zero net change to the Aviation capital budget. The funding source will be existing revenue bonds.

This project was initially approved by the signatory airlines via the April 2019 MII vote, and again in May 2020 for a total project capital cost of \$18,996,000. The increase in capital budget does not require additional approval from the signatory airlines since it is within 10% of the approved amount.

***Financial Analysis and Summary***

Project cost for analysis	\$21,400,000
Business Unit (BU)	Terminal Building
Effect on business performance (NOI after depreciation)	NOI after depreciation will increase due to inclusion of capital (and operating) costs in airline rate base.
IRR/NPV (if relevant)	N/A
CPE Impact	\$0.11 in 2022

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

Port staff does not anticipate a significant change in the on-going operation and maintenance costs associated with these efforts since minimal preventive maintenance is performed on the security and access improvements.

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The project will be installing new roadway directional signing that will be replace existing signage attached to the pedestrian sky bridges. Currently, the airport receives revenue from advertising signage that is placed on the exterior of the pedestrian sky bridges. The new roadway direction signage will be slightly taller than the existing signage and may impact the revenue potential from the advertising signage.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

June 9, 2020 - The Commission authorized the advertisement and execution of a major works construction contract for Phase II of the Airport Terminal Accessibility and Safety Enhancements project.

January 28, 2020 – The Commission authorized the purchase of structural bollards for Phase II of the Airport Terminal Accessibility and Safety Enhancements project.

May 3, 2019 – The Commission authorized the advertisement and execution of a major works construction contract for Phase II of the Airport Terminal Accessibility and Safety Enhancements project.

January 30, 2018 – The Commission authorized the design and preparation of contract bid documents for Phase II of the Airport Terminal Safety and Security Enhancements project.

October 24, 2017 – The Commission authorized the design, preparation of contract bid documents, advertisement and execution of a major works construction contract for Phase I of the Airport Terminal Safety and Security Enhancements project.