

**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting December 14, 2021

DATE: November 19, 2021

TO: Stephen P. Metruck, Executive Director

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

**SUBJECT: Additional Construction Authorization for Terminal Security Enhancements
(CIP #C800862)**

Amount of this request: \$1,729,000

Total estimated project cost: \$22,950,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to 1) complete the final design, 2) award a design-build contract, and 3) authorize an additional \$1,729,000 for Phase II of the Terminal Security Enhancements project at Seattle-Tacoma International Airport (Airport). The total estimated project cost is \$22,950,000.

EXECUTIVE SUMMARY

Phase II of the Terminal Security Enhancements (TSE) 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.

This project was authorized to be delivered through a traditional design-build contract and the selection process concluded in October 2021. All the design-build team's proposals were higher than the Port engineer's estimate and ranged between \$13.8 to \$16.5 million. The successful design-build team's bid was \$13,807,637 which requires the additional authorization of \$1,729,000 to execute and complete the design-build contract. The higher project costs are attributed to escalating construction material costs, current market conditions and 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 \$1,729,000 will not require an additional MII vote since the increase is less than the 10% allowed per the SLOA.

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JUSTIFICATION

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

There will be an eight percent (8%) Women-and Minority-Owned Business Enterprise (WMBE) aspirational goal for the project.

DETAILS

This project was authorized to be delivered through a traditional design-build contract in December 2020. The request for qualifications was advertised in March 2021 and four (4) teams submitted statements of qualifications, with only three (3) teams being selected to submit proposals. The three (3) remaining teams submitted initial proposals in June 2021. The review of the proposals identified that all bids were significantly higher than the engineer's estimate. The Port then requested a best and final offer proposal in an effort to reduce project costs and to improve the overall value to the project. The final proposals were submitted in late September with the selection process concluding in October. While the proposal costs were reduced, all of the design-build team's proposals were still higher than the Port engineer's estimate and ranged between \$13.8 to \$16.5 million. The successful design-build team's bid was \$13,807,637 which requires the additional authorization of \$1,729,000 for the Port to be able to execute and complete the design-build contract.

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.

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 (2) to twelve (12) on the arrival's curbside, and from three (3) to twelve (12) on the departure's curbside. Security improvements will also be installed in the Main Garage at the entrance to each of the six (6) pedestrian sky bridges and along the third-floor courtesy vehicle plaza.

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Schedule

Activity

Execute Contract	2021 Quarter 4
Design Validation	2022 Quarter 1
In-use date	2023 Quarter 2

Cost Breakdown

	This Request	Total Project
Design	\$0	\$3,397,104
Construction	\$1,729,000	\$16,552,896
Total	\$1,729,000	\$22,950,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

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

Cost Implications: \$2,413,000 for a total cost of \$5,730,000 (includes Phase I).

Pros:

- (1) No further 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 \$2,413,000 would need to be expensed.

This is not the recommended alternative.

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

Cost Implications: \$19,633,000 for a total of \$22,950,000 (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) Shorter implementation schedule than design-bid-build approach.
- (4) Budget increase does not require additional MII approval and is within the allowable 10% variance per SLOA agreement.

Cons:

- (1) Requires capital investment of nearly \$23 million by the Port.

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This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$9,854,000	\$0	\$9,854,000
Previous changes – net	\$9,658,523	\$1,708,477	\$11,367,000
Current change	\$1,729,000	\$0	\$1,729,000
Revised estimate	\$21,241,523	\$1,708,477	\$22,950,000
AUTHORIZATION			
Previous authorizations	\$19,512,523	\$1,708,477	\$21,221,000
Current request for authorization	\$1,729,000	\$0	\$1,729,000
Total authorizations, including this request	\$21,241,523	\$1,708,477	\$22,950,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project was included in the 2022 – 2026 capital budget and Plan of Finance with a budget amount of \$20,895,885. A budget increase of \$345,638 was transferred from the Aeronautical Reserve CIP (C800753) resulting in zero net change to the Aviation capital budget. The funding sources include the Airport Development Fund (ADF) and revenue bonds.

This project was approved by the signatory airlines in December 2017, April 2019 MII vote, and May 2020 with a total approval of f \$19,500,000. 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	\$22,950,000
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 2023

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 preventative maintenance is performed on the security and access improvements.

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The project will install new roadway directional signage that will 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 directional 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

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

December 15, 2020 – The Commission authorized utilization of the traditional design-build contracting methodology, the advertisement and award of a design-build contract, and to complete final design and construct Phase II of the Terminal Security Enhancements project.

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.