



**COMMISSION
AGENDA MEMORANDUM**

Item No.

6d

ACTION ITEM

Date of Meeting

April 23, 2019

DATE: April 16, 2019

TO: Stephen P. Metruck, Executive Director

FROM: Mike Tasker, Sr Manager - AV Facility & Infrastructure
Wayne Grotheer, Director Aviation Project Management

SUBJECT: Rental Car Facility (RCF) Pavement Remediation (CIP #C800977)

Amount of this request: \$ 6,845,000

Total estimated project cost: \$ 8,303,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to advertise and execute a major works construction contract for the Rental Car Facility Pavement Remediation project at Seattle-Tacoma International Airport. The amount being requested under this authorization is \$6,845,000 of a total estimated project cost of \$8,303,000.

EXECUTIVE SUMMARY

Several RCF assets need renewal or replacement sooner than anticipated due to greater usage and potential design errors and omissions or construction latent defects. The assets that will be addressed include the floor expansion joints and topping slab, the helices, S. 160th St. driveway, and the weatherproofing membranes in the car wash areas. Since the previous authorization for design, the scope of the project has increased to include the replacement of the existing perimeter fence and resealing the employee and visitor parking.

The RCF 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). Major maintenance is generally classified as the full replacement of certain assets, as defined in the Lease Agreement, or for repairs and replacements exceeding \$341,087.37, which is adjusted annually. CFCs are collected from rental car customers and the funds are restricted for capital and operating costs that support the RCF and rental car operations at the airport. This project is included in the 2019 – 2023 capital budget and plan of finance. The current estimated project cost will result in budget savings of \$2,184,000 from the previously identified budget of \$10,487,000.

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The parallel effort that is looking into whether the need for remediation of any of the assets being renewed could be attributed to design (Error and Omission) or construction (Latent Defect) is still ongoing. Additional information on the progress of this effort is provided in the “Additional Background” section of the memo.

JUSTIFICATION

The project scope includes several major maintenance improvements for the facility that the Port has the responsibility to complete under the terms of the RCF Lease Agreement. The Operators have requested that the Port complete these improvements as expeditiously as possible since many are essential to their operations. Completing the perimeter fence in a timely manner is also essential to ensure the safe and secure operations of the facility. 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

The project will be completed in two phases. Phase one consisted of the early replacement of critical portions of the fifth floor topping slab in support the Operators’ request for expeditious action and was completed in October 2018 by Port Construction Services (PCS). Phase two includes the remaining scope.

The project scope has been modified during the design phase. The scope decreased with the reduction in area for the replacement of the fifth floor topping slab since testing proved it was not as damaged as originally thought. The scope increased to include the replacement of existing perimeter site fencing with a 10-foot no-climb fence to address site security concerns and resealing the fifth floor employee and visitor parking areas to address weather proofing and safety concerns at these locations.

Diversity in Contracting

Project staff worked with the Economic Development Division – Diversity in Contracting Department and determined this contract will have an eight percent WMBE aspirational goal.

Scope of Work

The project will complete the major maintenance improvements described below.

- (1) Replace and upgrade the fifth floor expansion joints in the bus operation area
- (2) Replace and upgrade portions of the fifth floor topping slab in the bus operation area due to excessive cracking and spalling
- (3) Route and seal cracks in the deck and beams of both Helices
- (4) Complete pavement rehabilitation on the existing S. 160th St. driveway
- (5) Replace the weatherproofing membrane at carwash areas at the RCF located on the second and fourth floors of the facility
- (6) Replace existing perimeter fence with a 10-foot no-climb fence

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- (7) Reseal the employee and visitor parking areas

Schedule

Construction start	2019 Quarter 3
In-use date	2020 Quarter 3

Cost Breakdown

	This Request	Total Project
Design	\$887,000	\$2,217,000
Construction	\$5,958,000	\$6,086,000
Total	\$6,845,000	\$8,303,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – No major maintenance improvements are completed for the RCF.

Cost Implications: \$0

Pros:

- (1) Capital investment not required.

Cons:

- (1) The Port does not meet its obligations under the terms of the RCF Lease Agreement.
- (2) The facility could suffer further damage that could make portions of it unusable by the Operators and significantly reduce its asset life.
- (3) A key security concern at the RCF would continue without being addressed.

This is not the recommended alternative.

Alternative 2 – This alternative includes the original project scope that was authorized by the Commission.

Cost Implications: \$3,000,000

Pros:

- (1) The Port meets its obligations under the terms of the RCF Lease Agreement.
- (2) The improvements are completed that maintain or prolong the asset life of the facility.

Cons:

- (1) Requires significant capital investment by the Port funded by CFC revenues.
- (2) Significant impacts to facility operations during construction.
- (3) A key security concern at the RCF would continue without being addressed.
- (4) Does not reseal the employee and visitor parking areas to address weatherproofing and safety concerns.

This is not the recommended alternative.

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Alternative 3 – This alternative includes the original project scope that was authorized by the Commission plus the two scope additions (no-climb site fencing, resealing of employee and visitor parking).

Cost Implications: \$8,303,000 (\$2,184,000 less than the 2018 total project estimate of \$10,487,000)

Pros:

- (1) The Port meets its obligations under the terms of the RCF Lease Agreement.
- (2) Most cost-effective approach to complete the improvements that maintain or prolong the asset life of the facility.
- (3) Includes the replacement of existing perimeter site fencing with a 10-foot no-climb fence to address site security concerns, and the resealing of the fifth floor employee and visitor parking areas to address weather proofing and safety concerns.

Cons:

- (1) Requires 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	Expense	Total
COST ESTIMATE			
Original estimate	\$10,487,000	\$100,000	\$10,587,000
Current change	(\$2,184,000)	\$50,000	(\$2,134,000)
Revised estimate	\$8,303,000	\$150,000	\$8,453,000
AUTHORIZATION			
Previous authorizations	\$1,458,000	\$150,000	\$1,608,000
Current request for authorization	\$6,845,000	\$0	\$6,845,000
Total authorizations, including this request	\$8,303,000	\$150,000	\$8,453,000
Remaining amount to be authorized	\$0	\$0	\$0

Annual Budget Status and Source of Funds

This project #C800977 was included in the 2019-2023 capital budget and plan of finance with a total budget of \$10,487,000. A budget reduction of \$2,184,000 will be transferred to #C800754 Non-Aeronautical Allowance. This project will be funded by Customer Facility Charge (CFC) funds per the terms of the RCF Lease Agreement.

Financial Analysis and Summary

Project cost for analysis	\$8,303,000
Business Unit (BU)	Rental Car

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Effect on business performance (NOI after depreciation)	NOI after depreciation will decrease
IRR/NPV (if relevant)	N/A
CPE Impact	None

Future Revenues and Expenses (Total cost of ownership)

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

ADDITIONAL BACKGROUND

Staff is separately investigating whether any of the deterioration of the assets being renewed is due to design (errors and omissions) or construction (latent defects) of the facility. To date discoveries associated with this effort have led to: 1) the completion of the Bridge 2 structural improvements through a three-party agreement with the Port, Contractor, and Designer of Record, 2) reductions in scope of the fifth floor topping slab replacement, and 3) reduction of number of carwash areas requiring replacement of the weather proofing membranes. These findings reflect a savings of just over \$1,000,000 to the project.

Staff continues to work on determining the root cause of the severity of the helix cracking and the waffle pattern radiating at the fourth floor carwash area. Both efforts are expected to be completed by end of second quarter of 2019. 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

July 10, 2018 – The Commission authorized execution of a professional services contract for design services, proceeding with the design and preparation of contract bid documents, and use Port Construction Service (PCS) crews to perform the early construction work.