



**COMMISSION**  
**AGENDA MEMORANDUM**

**Item No.** 10d

**ACTION ITEM**

**Date of Meeting** August 10, 2021

**DATE:** August 3, 2021

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

**FROM:** Arlyn Purcell, Director Aviation Environment and Sustainability  
Stan Shepherd, Senior Manager Airport Noise Programs  
Wayne Grotheer, Director Aviation Project Management

**SUBJECT: Apartment Sound Insulation Program Planning and Design Authorization (CIP #C200096)**

**Amount of this request:** \$34,386,000

**Total estimated project cost:** \$133,515,000

**ACTION REQUESTED**

Request Commission authorization for the Executive Director to plan, design, and prepare construction documents for the Apartment Sound Insulation Program (CIP #C200096) located within the current noise remedy boundary near the Seattle-Tacoma International Airport (Airport) in an amount not to exceed \$34,386,000 of a total apartment program cost of \$133,515,000.

**EXECUTIVE SUMMARY**

The Sound Insulation Program exists to help reduce community noise impacts caused by aircraft utilizing the Airport. As part of its long-term commitment to communities surrounding the Airport, the Port offers sound insulation for eligible properties within the current Federal Aviation Administration (FAA) Airport Noise Compatibility (Part 150) noise remedy boundary. This work typically includes installation of new Sound Transmission Class (STC) rated windows, doors, and storm doors, as well as supplemental ventilation to meet the FAA standard of a 45 decibel (dB) Day-Night Average Sound Level (DNL) interior noise that can be achievable with at least a 5 dB reduction.

This request will allow the Port to commence with acoustic testing, regulated materials testing, title search, avigation easement and subordination document support, language services, other necessary program planning, and preparation of design and construction documents for all 18 apartment complexes (903 units). The preferred alternative accelerates the program by approximately 9-years when compared to the historical method of administering the sound insulation program.

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This request does not include work associated with condominium buildings, places of worship, single-family homes, and south Approach Transition Zone (ATZ) voluntary residential acquisition. Staff will return to Commission to request authorization(s) associated with these items and subsequent construction authorization(s) at a later date.

### **JUSTIFICATION**

Resolution No. 3683 was adopted by the Commission on October 22, 2013, and included all recommendations from the Part 150 Study, including sound insulation for eligible structures within the Noise Remedy Boundary. This authorization will help to meet the requirements of Resolution No. 3683 to conduct an ongoing Sound Insulation Program (SIP).

In February 2020, the Commission passed Motion 2020-04 to accelerate this work with the goal of completing work on these programs by the end of 2026. Moving forward with the apartment sound insulation is critical to compliance with the Motion.

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

Since the project will be partially funded with FAA Airport Improvement Program (AIP) grants, the Port will follow the United States Department of Transportation's Disadvantaged Business Enterprise (DBE) program requirements. A DBE goal of 2.87% has been established for this project and the DBE Plan will be administered in accordance with 49 CFR Part 26 by the Diversity in Contracting Department. The DBE goal was calculated from the number of federally certified DBE firms which perform the scope(s) of work as identified for the project.

### **DETAILS**

Staff estimate 18 apartment complexes (with 903 units) are potentially eligible to participate in the program. The Port has retained a consultant to evaluate, confirm, and document eligibility of apartment complexes based on Port and FAA criteria and owner participation. The pre-construction design and testing will define the scope of this program and will be used to develop cost estimates prior to construction.

Under state law, (R.C.W. 53.54.030), any owner who participates in the Program is required to provide the Port with an Avigation Easement in return for the Port paying the cost of the improvements. A Subordination Agreement or Consent is required in order to convey the Avigation Easement if there is a mortgage, deed of trust, or other lien on the property.

### ***Scope of Work***

The consultant will provide good faith regulated materials surveys, planning, language services, project documentation, acoustic testing, FAA AIP grant funding documentation, design and construction documents, and any ancillary scope elements necessary to complete the design(s). Typical design to include:

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- (1) STC rated solid core doors
- (2) STC rated windows
- (3) Storm doors
- (4) Positive exterior air ventilation
- (5) Other associated work as determined to be necessary by the architect to reduce noise or to meet code
- (6) Regulated materials abatement as necessary to facilitate these installations

***Schedule***

This is a multi-phased design and construction program. Design and construction will proceed concurrently throughout the duration of the program (2021-2026). The first design package will commence Q4 – 2021 and will be followed by subsequent design packages until completion. Staff is planning to return to Commission in Q1-2022 for construction authorization associated with the first design package and will continue requesting construction authorization for design packages throughout the duration of the program. The schedule below shows design beginning in 2021 and sound insulation of all participating eligible apartment complexes completed by the end of 2026, per the Port Commission Motion.

*Activity*

Design start, first package	2021 Quarter 4
Commission construction authorization	2022 Quarter 1
Construction start, first package	2022 Quarter 3
Completion, all eligible complexes	2026 Quarter 4

***Cost Breakdown***

	This Request	Total Project
Design & Program Management	\$34,386,000	\$34,461,000
Construction	\$0	\$99,054,000
Total	\$34,386,000	\$133,515,000

**ALTERNATIVES AND IMPLICATIONS CONSIDERED**

The two other alternatives being considered would require significantly longer schedules and/or be costlier. Based on the direction provided by the Commission on February 25, 2020 to accelerate all active and planned Sound Insulation Programs, there are at present no other feasible options other than to proceed with the recommended alternative for this scope of work as described.

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**Alternative 1** – Initiate noise remediation of Apartment Complexes at a pace to align with available FAA Airport Improvement (AIP) grant funding.

Cost Implications: \$171,000,000

Pros:

- (1) Program funded with FAA AIP grants (estimate \$10m per year)

Cons:

- (1) Not implementing the noise remediation apartment program at an accelerated pace could reduce the Port's credibility in the community and would not honor the Port's commitment to the Part 150 study and Commission Resolution 3683
- (2) Would not meet the intent of Commission Motion 2020-04 to accelerate the airport's noise mitigation programs prior to 2027. Deferred completion of the program would then be ~2031
- (3) Total project cost will increase due to escalation of costs over the 10-year period
- (4) Timing and funding amounts cannot be adequately planned since the FAA cannot guarantee AIP funding beyond one-year

This is not the recommended alternative.

**Alternative 2** – Defer the program 2-years to allow for COVID economic recovery with accelerated project duration

Cost Implications: \$144,000,000

Pros:

- (1) No Port expenditures until 2023

Cons:

- (1) Costs would be more expensive in the long term
- (2) Delaying the noise remediation program could reduce the Port's credibility in the community by not honoring the Port commitments in a timely manner
- (3) Would not meet the intent of Commission Motion 2020-04 to accelerate the airport's noise mitigation programs prior to 2027

This is not the recommended alternative.

**Alternative 3** – Authorize Sound Insulation Program to plan, design and prepare construction documents for the Apartment Sound Insulation Program (CIP #C200096)

Cost Implications: \$133,515,000

Pros:

- (1) Meets commitment to noise remediation in the community per Commission Resolution 3683

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- (2) Maintains the program schedule to meet the intent of Commission Motion 2020-04 to accelerate the airport's noise mitigation programs prior to 2027
- (3) Acoustic testing will identify which apartment complexes within the noise remedy boundary are eligible for sound insulation
- (4) Allows staff to begin design of all the apartment projects.
- (5) Provides a direct community benefit to reduce aircraft noise impacts in apartment complexes.

Cons:

- (1) The Port assumes the financial risk for this work if FAA AIP grant funding cannot be secured

***This is the recommended alternative***

**FINANCIAL IMPLICATIONS**

The capital cost of the project is estimated at \$133,515,000. The funding plan projects \$69 million of AIP grants from 2022-2029. Therefore, the Rate Base Cost is estimated at \$64,515,000. The Rate Base Impact reflects a 25-year debt service term. Debt service would be charged as landing fee when each apartment complex construction is substantially completed, and grants are received.

To manage the uncertainty of grant availability and ultimately fund the balance of costs not grant-funded, the Port has developed the following plan:

- The Port would use commercial paper (CP) as an interim funding source until the availability of grants is known.
- CP interest and fees would be included in the Airline Rate (Landing Fee).
- Port staff would work with the FAA to assure noise projects meet all federal procurement guidelines and AIP eligibility, should funding become available.
- The Port would continue to apply for grants to fund retroactive spending. Plan assumes grants funding stops at 2029. However, the Port would continue to seek reimbursements past the financial model timeline.
- If the FAA grant funding plan falls short of total eligible costs, Finance & Budget (F&B) will evaluate the potential for retroactive reimbursement. When retroactive reimbursement is unlikely, F&B will issue Airport Revenue Bonds to reimburse the projects funded by commercial paper. Then, debt service would be charged through Airline Rate (Landing Fee).
- Passenger Facility Charge has insufficient capacity for the next 5-10 years without shifting from other projects, such as North Satellite (NSAT) or International Arrivals Facility (IAF).
- Grant submittal timeline 2021-2029.

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Risks and uncertainties include:

- 1) Estimated costs could differ:
  - a) Lack historical estimate data
  - b) Property owners choose not to participate
  - c) Properties not qualified after acoustic testing
  - d) Change in noise contour with updated future Part 150
- 2) Grant availability

There are project risks and uncertainties in the Port’s funding plan; however, the focus is designed to allow the Port to minimize the airline rate base impacts. Lower costs or reduced scope (due to ineligibility or owner reluctance to participate), combined with anticipated grants would further reduce the rate base impacts.

<b>Cost Estimate/Authorization Summary</b>	Capital	Expense	Total
<b>COST ESTIMATE</b>			
Original estimate	\$133,515,000	\$0	\$133,515,000
Total Estimated	\$133,515,000	\$0	\$133,515,000
<b>AUTHORIZATION</b>			
Previous authorizations	\$75,000	\$0	\$75,000
Current request for authorization	\$34,386,000	\$0	\$34,386,000
Total authorizations, including this request	\$34,461,000	\$0	\$34,461,000
Remaining amount to be authorized	\$99,054,000	\$0	\$99,054,000

**Annual Budget Status and Source of Funds**

This project, CIP C200096, was included in the 2021-2025 capital budget and plan of finance with a budget of \$133,515,000. The funding sources would be AIP grants, commercial paper and revenue bonds. This project has been submitted as a Majority in Interest (MII) project to the airlines and the ballot is due on August 3, 2021.

**Financial Analysis and Summary**

Project cost for analysis	\$133,515,000
Business Unit (BU)	Airfield Movement Area
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	\$.22 in 2027

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

Once the project is complete and the avigation easement is permanently recorded on the parcel, there will be no further revenues or expenses incurred.

**ATTACHMENTS TO THIS REQUEST**

(1) Presentation slides

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

**December 15, 2020** – Commission briefing on sound insulation programs, acceleration and staff recommendations

**December 15, 2020** – The Commission authorized consultant services IDIQ contract to provide sound insulation program development support for single-family homes, apartments, and places of worship

**February 25, 2020** – Commission briefing on sound insulation programs, acceleration, and staff recommendations. Motion 2020-04 of the Port of Seattle Commission directing the acceleration of the sound insulation program at the Airport

**July 10, 2018** – The Commission authorized contracting for Sound Insulation Architect and Project Oversight Consulting for Condominiums

**October 11, 2016** – The Commission authorized contracting for Sound Insulation Architect and Project Oversight Consulting Services and Job Order Contracting (JOC) for Single-Family Homes

**October 22, 2013** – Second Reading and Final Passage of Resolution No. 3683 concluding the Federal Aviation Regulation (FAR) Part 150 Noise and Land Use Compatibility Study Update for Seattle-Tacoma International Airport.

**October 8, 2013** – First Reading of Resolution No. 3683 concluding the Federal Aviation Regulation (FAR) Part 150 Noise and Land Use Compatibility Study Update for Seattle-Tacoma International Airport.

**April 23, 2013** – The Commission authorized contracting for Sound Insulation Consulting Services and Job Order Contracting (JOC) for Single-Family Homes.