



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8c

ACTION ITEM

Date of Meeting March 8, 2022

DATE: February 25, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Wayne Grotheer, Director Aviation Project Management
Jeff Wolf, Interim Director Aviation Commercial Management

**SUBJECT: C Concourse Expansion Third-Party Commissioning Agent Authorization
(CIP# C800845)**

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

Total estimated project cost: \$340,000,000

ACTION REQUESTED

Request Commission authorization to execute a Service Agreement for a third-party commissioning agent for the C Concourse Expansion Project at Seattle-Tacoma International Airport.

EXECUTIVE SUMMARY

Third-party commissioning agent services provide verification that the Port's investment in high-performance systems is yielding optimum results, both in long-term cost reductions and operational efficiencies. Third-party commissioning agents represent the Port as subject matter experts, independent of the project designers and the selected construction contractor. The third-party commissioning agents for the C Concourse Expansion project (formerly known as the C1 building project) will review drawings, develop commissioning plans and procedures, conduct field investigations, and submit reports that ensure systems and equipment are designed, installed and function in accordance with Port standards and all code compliance requirements. The C Concourse Expansion Project is requesting authorization to advertise and execute a contract at this time, within the previously approved project budget, so that the third-party commissioning agent can perform the services above, as well as perform early design reviews. These design reviews will allow the project to start drafting a Commissioning Plan and is also one of the commissioning requirements for the project to apply for Leadership in Energy and Environmental Design (LEED) Silver (or higher) certification.

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JUSTIFICATION

Commissioning the systems and equipment provided as part of the C Concourse Expansion project ensures they perform as intended and designed before the project is complete and put into operation. The project is also pursuing LEED credits that require use of commissioning services. Independent third-party commissioning services are also required by building code to validate the performance of life-safety systems on larger capital projects such as C Concourse Expansion. Procurement needs to begin now, during the early design phase, so that a Commissioning Agent can perform LEED required design reviews and start development of pre-functional checklists and the overall Commissioning Plan prior to the start of major on-site construction.

Diversity in Contracting

The project team has worked with the Diversity in Contracting team to conduct outreach and the setting of a women- and minority-owned business enterprise (WMBE) aspirational goal of 15%.

DETAILS

Over the last decade, leasable space post-security at the Airport has become almost non-existent due to the continued growth of airlines and tenants' operational and administrative needs. Staff has identified the C Concourse Expansion Building area as a key location where the terminal can be expanded without the consumption of additional real estate (building up rather than out). There are no other viable options for expanding the terminal without significant negative impacts to existing capacity or operational areas.

The C Concourse Expansion Project will grow Airport Dining and Retail (ADR) services with two floors of new space. This additional square footage will provide a higher level of service to travelers and generate additional non-aeronautical revenue. The remaining three new floors will provide space for two new premium lounges and additional office space. The office space will serve to support existing tenants, airlines, and Transportation Security Administration (TSA) in addition to creating support space for the new C Concourse Expansion ADR spaces. The Port of Seattle has received general a positive Majority-In-Interest (MII) vote from the airlines and letters of interest for the lounge level spaces.

The C Concourse Expansion Building is an existing three-level structure that was built to house the C Concourse Expansion in-line baggage screening system (on the baggage claim and bridge levels) that supports Alaska Airlines. The current C Concourse Expansion Building houses the TSA in much of the concourse level space, which would be better utilized for publicly accessible services and amenities. As part of this project, the TSA functions will be relocated to make way for higher and better uses.

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Beyond being one of the few locations for the Airport to expand its footprint without further encroaching on limited real estate, this will be the first project to utilize the Environmental Sustainability Framework adopted by the Commission, and a great opportunity to embody the new SEA brand.

Scope of Work

The scope of work for the commissioning services provided in this Service Agreement will include design review followed by verification and documentation that the systems and equipment delivered as part of the C Concourse Expansion project are fully functioning in accordance with the contract documents, LEED goals, and applicable building and fire codes. Commissioning services will also validate that Port personnel are trained to operate, maintain, and troubleshoot equipment and systems provided as part of the project.

Schedule

Commission design authorization	2020 Quarter 2
Design start	2021 Quarter 1
Commission construction authorization (MAC)	2022 Quarter 4
Construction start (enabling work packages)	2021 Quarter 2
In-use date	2027 Quarter 2

Cost Breakdown

	This Request	Total Project
Design	\$1,500,000	\$51,000,000
Construction	\$0	\$289,000,000
Total	\$1,500,000	\$340,000,000

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Utilize an existing Indefinite Delivery Indefinite Quantity (IDIQ) Contract for Commissioning Services

Cost Implications: \$1,500,000

Pros:

- (1) No procurement required
- (2) Meets code requirements

Cons:

- (1) No current IDIQ’s exist with available capacity for this work.
- (2) C Concourse Expansion commissioning needs would utilize a large percentage of any available IDIQ, should one exist, limiting use by other projects.
- (3) Current IDIQs expire prior to the project being complete requiring use of a second IDIQ, and potentially a different Commissioning Agent, to finish the project.

This is not the recommended alternative.

Alternative 2 – Procure a project specific Commissioning Agent Service Agreement

Cost Implications: \$1,500,000

Pros:

- (1) Meets code requirements
- (2) Service Agreement duration can match project duration
- (3) Single agent for the duration of the project

Cons:

- (1) Procurement of a new Service Agreement takes longer than other alternatives

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

Capital

Expense

Total

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$331,776,000	\$8,224,000	\$340,000,000
AUTHORIZATION			
Previous authorizations	\$84,674,000	\$7,926,000	\$92,600,000
Current request for authorization	\$1,500,000	\$0	\$1,500,000
Total authorizations, including this request	\$86,174,000	\$7,926,000	\$94,100,000
Remaining amount to be authorized	\$245,602,000	\$298,000	\$245,900,000

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Annual Budget Status and Source of Funds

This project is included in the 2022-2026 capital budget and plan of finance with a budget of \$340,000,000. The capital budget decrease of \$8,224,000 would be transferred to the Aeronautical Allowance CIP C800753. The expense budget would be included in the Aviation Division’s annual operating expense budget. The funding sources will include the Airport Development Fund and future revenue bonds. This project was approved by airlines through a Majority-In-Interest (MII) vote in April 2021.

Financial Analysis and Summary

Project cost for analysis	\$340,000,000
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)	NPV (40 years) for non-aero \$44.5 million
CPE Impact	\$0.68 in 2028

Future Revenues and Expenses (Total cost of ownership)

As presented on April 27, 2021, when completed the project will generate incremental non-airline revenues of \$12 million by 2028 and over \$15 million by 2031. Aeronautical revenues will also increase as the allocated operating and capital costs (debt service) are included in airline terminal rate base.

ATTACHMENTS TO THIS REQUEST

None.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 27, 2021 – C1 Building Project Additional Design and General Contractor/Construction Manager Early Work Authorization – Special Inspection and Testing Authorization
- May 26, 2020 – C1 Building Project Design and General Contractor/Construction Manager Authorization
- March 10, 2020 – C1 Building Project Briefing and Introduction
- June 26, 2018 – C1 Building Project Authorization for Planning Funds
- January 26, 2016 – The Commission authorized design of an expansion for the existing Gate C3 passenger Holdroom at Seattle-Tacoma International Airport.
- July 11, 2017 – The Commission authorized (1) advertise and execute a construction contract for the Gate C3 Holdroom Expansion project at Seattle-Tacoma International Airport; and (2) use Port crews in executing the project