



COMMISSION
AGENDA MEMORANDUM

Item No. 11c

BRIEFING ITEM

Date of Meeting April 12, 2022

DATE: April 4, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Wayne Grotheer, Director Aviation Project Management
Dawn Hunter, Interim Aviation Chief Operating Officer

SUBJECT: C Concourse Expansion Briefing (C800845)

EXECUTIVE SUMMARY

The purpose of this project briefing is to communicate the project progress on design and sustainability goals and to highlight key risks and challenges.

Over the last decade, leasable space post-security at the Seattle-Tacoma International Airport has become almost non-existent due to the continued growth of airlines and tenants' operational and administrative needs. Staff has identified the C1 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 Building Expansion (CCE) was created to address the shortfalls in Airport Dining and Retail (ADR) capacity, public amenities, office space, and premium lounge space resulting from the continued growth. The project is located at the intersection of Concourses C and D and will add four floors to the existing three floor C1 building structure to accomplish our goal to build up rather than out.

The CCE Project will grow ADR services with two floors of new space. These floors will include 17,000 square feet of new food and beverage locations and 8,000 square feet of new retail 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 TSA in addition to creating support space for the new ADR spaces. The project is supported by the airlines at \$340M, including letters of interest for large portions of the leasable space, and a favorable Majority in Interest (MII) vote for the project.

The project will also be constructing new amenities for the traveling public. These will include restrooms, a meditation room, a sensory room, nursing suites, and a public lookout. These

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amenities combined with the unique architectural experience of the CCE will create a destination location within the C Concourse.

CCE is the first Tier 3 project to go through the Port's new Sustainable Evaluation Framework process and is anticipated to meet approximately 47% of the potential increased energy load through low-carbon and renewable energy and avoid approximately 90% of the potential increase in carbon emissions.

The project will provide economic opportunities to WMBE during design and construction, and to ACDBE post-construction.

Program Status Update

Previous authorizations allowed the project team to procure a designer and a general contractor / construction manager (GCCM). Both teams started work in early 2021 and have progressed the project to a 30% level of design.

Procuring the GCCM at this early stage has provided the project with several advantages. The GCCM has been providing estimating services and constructability comments during design development. While the project is currently trending over the estimate, several steps have been taken with the support of the GCCM to mitigate these trends. These early steps also provide an increased level of transparency to the project stakeholders and the Commission about the project budget.

The GCCM is also working on phasing plans and developing a project schedule. These phasing plans are being utilized to communicate operational impacts that are several years out. The plans also help the CCE project to coordinate with other Capital Improvement Projects happening near the CCE work. Most importantly, the team is optimistic that the phasing efforts will result in a savings on the project schedule.

Even though the project is currently at 30% design development overall, accelerated design for early work will allow the GCCM to start onsite construction in Quarter 2 2022. The early work will involve upgrading the existing building foundations and civil work on the ramp. Full construction on the building expansion is scheduled to start Quarter 2 2023.

Program Budget Update

The original project was estimated to be \$340 million. Since that time the estimates for the project have grown. The drivers of the increases are additional sustainability scope, baggage transfer line impacts, and contractor estimates reflecting escalation due to COVID and the current geopolitical situation.

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To manage costs and scope the project has taken several steps. Between concept and 15% design the Port, the contractor, and the design team met every two weeks to value engineer and right size the project scope. That effort led to a \$20 million reduction to the concept estimate. That right-sized scope and project programming was used to develop a 30% design. The 30% design was again estimated and the estimates were reviewed and reconciled with the Port, the designer and the contractor.

As the design develops, the project teams will continue to assess potential savings in real time with the design team and the contractor. While this will not prevent the higher cost of delivering the project, it will be a tool to control the cost increases and ensure that the scope of work is appropriate to the needs of SEA.

Original Estimate Range: \$340M - \$510M

Estimate Trends

Sustainability Initiatives: \$10.4M

Non-Discretionary Scope Changes: \$24M

Escalation and Scope Definition: \$32.6M

Current Estimate Range: \$340M – \$420M

The available Program Contingency is \$30M. The project team is assessing how much of this contingency can be allocated to the existing budget. The team is working to balance known risks against the available funds.

Diversity in Contracting

WMBE outreach efforts through local community organizations and publications have begun in support of CCE construction efforts. This includes targeted WMBE and small business pre-bid job walkthroughs for better understanding of project efforts, prior to upcoming bids.

Current WMBE goals:

1. Designer: 12%
2. GCCM: 12% (The GCCM goal may be modified as design progresses and the scopes of work are further developed.)
3. Program Management and Construction Management: 20%

The project is anticipated to provide approximately 28% in Airport Construction Disadvantage Business Enterprise (ACDBE) post-construction ADR opportunities.

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Key Risks and Mitigation Strategies

1. **Complex phasing:** The C1 Building, where the expansion is to occur, is currently occupied on all three existing levels. Throughout the life of the project, these levels will be occupied to a greater or lesser extent at different times during construction. The mitigation strategy employed to control this risk is the early procurement of the GCCM. The GCCM will be a partner with the project team and designer in creating a viable phasing plan and finding cost effective solutions to phasing challenges.
2. **Operational constraints:** The C1 Building is located at the intersection of Concourse C and Concourse D. There is limited access for construction material laydown and the construction equipment required to erect a new building. The project team employed two different strategies to control this risk: early procurement of the GCCM and early involvement of Airport Operations. The project team completed Safety Risk Assessments that addressed safety and operational concerns both during construction and in the final configuration of the building.
3. **Transfer Line Capacity:** Transfer lines are used to transfer baggage from one flight to another. There are a limited number of these lines available for use. Since the project was first conceived, the needs of our airline partners have changed. Changes to the transfer lines add additional complexity to our phasing and operational constraints. We will be mitigating this risk by transferring scope and funds to the Baggage Optimization Program which is already in construction. That program is best suited to design, contract, and manage this very specialized scope of work.
4. **Tenant Buildouts:** The majority of the new building will be leasable space. The interiors of these spaces will be built by the various tenants that are procured by Properties and ADR. To fully open the building and start generating revenue, the tenants will be building out their spaces while the project team is constructing the base building. This will require a high level of coordination between tenant procurement, design, and construction. Properties and ADR will need to let prospective tenants know details about each space. They need to understand square footage, utility capacity, and use restrictions. The project will need to coordinate construction times and durations, lay down areas for each tenant, material deliveries, and space commissioning. The project is managing these risks with multiple efforts. The project, in conjunction with the design team, will create a tenant handbook. The details for each space will be specified and restrictions being driven by the base building will be listed. During design and construction, each tenant will have a project manager assigned to them that will shepherd them through the Port design and construction process.

Environmental Sustainability

CCE is the first Tier 3 project to go through the Port's new Sustainable Evaluation Framework process (Resolution 3768). The project team, in conjunction with internal Port experts from AV

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Environment and Sustainability, Facilities and Infrastructure, and Maintenance departments, evaluated the costs and sustainability benefits of 34 different strategies. The top 8 strategies were recommended to SEA leadership and then to the Commission’s Sustainability, Environment, And Climate (SEAC) Committee.

The recommended sustainability strategies are listed below by category. By implementing these strategies, the project will meet approximately 47% of the potential increased energy load through low-carbon and renewable energy and avoid approximately 90% of the potential increase in carbon emissions. While we cannot quantify the sustainability benefits of the equity strategies, the employee breakroom will provide a quiet location away from passengers, and the additional storage location will provide easy drop-off for tenants and pick-up location for the food bank that supports our food donation program. Lastly, the low-flow fixtures will reduce 8% of water usage when compared to baseline.

Energy/Carbon

- Tenant all electric hot water heaters
- Tenant all electric cooking
- Fossil-fuel free heating
- Rooftop photovoltaics

Equity

- Employee breakroom
- Signage for public transportation
- Storage location for food donations from tenants

Water Conservation

- Low flow fixtures

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Authorization Summary

Cost Estimate/Authorization Summary

COST ESTIMATE	Capital	Expense	Total
Original estimate	\$331,776,000	\$8,224,000	\$340,000,000
AUTHORIZATION			
Total authorizations	\$86,174,000	\$7,926,000	\$94,100,000
Remaining amount to be authorized	\$245,602,000	\$298,000	\$245,900,000

ATTACHMENTS TO THIS BRIEFING

- (1) Presentation

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- March 8, 2022 – Authorization to execute a Service Agreement for a third-party Commissioning Agent
- 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
- 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
- January 26, 2016 – The Commission authorized design of an expansion for the existing Gate C3 passenger Holdroom at Seattle-Tacoma International Airport.