



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8e

ACTION ITEM

Date of Meeting April 12, 2022

DATE: April 4, 2022

TO: Stephen P. Metruck, Executive Director

FROM: Eileen Francisco, Interim Director - Aviation Facilities and Capital Programs
Wayne Grotheer, Director - Aviation Project Management Group

SUBJECT: Concourse C Temporary Air Handling Units (CIP#801149)

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

Total estimated project cost: \$2,980,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) increase the project budget for the Concourse C Temporary Air Handling Units project in the amount of \$1,000,000; (2) prepare, advertise, and execute a major works construction contract; and (3) use Port crews and small works contracts to assist with the project. The total estimated cost of this project is \$2,980,000.

EXECUTIVE SUMMARY

The existing Air Handling Units (AHUs) on Concourse C are at maximum capacity and are no longer able to meet current demands. Additional air is needed for tenant buildouts of additional Airport Dining and Retail (ADR) spaces and new restrooms. Two additional AHUs will be added on the roof of Concourse C to provide additional air until a planned future project will upsize all the existing AHUs on Concourse C. These temporary units are needed now to meet existing lease agreements with tenants and to support the new restrooms that are currently under construction. As the project progressed with design, it identified the need for additional funding because of current market conditions and increased material costs, specifically in the piping and AHUs.

JUSTIFICATION

Three ADR leases have been signed to replace a single existing restaurant space. The new leases consist of two restaurants and a retail space which requires additional air capacity as compared to the previous single restaurant. The restrooms on Concourse C are being replaced to provide better passenger experience and are increasing the turnover rate of air in the restrooms from eight times per hour to twenty times per hour. These modifications exceed the existing system's capacity. Restrooms in public buildings typically require ten to twelve times per hour

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air change rate for standard use, so a higher turnover rate for the Concourse C restrooms will maintain fresh air and lower odors for the improved passenger experience.

Adding the two temporary units will provide the additional capacity for the next five to ten years until the future project to upgrade all the air handlers, including the addition of smoke control, can be completed. This larger project will also replace and upgrade all the AHUs on Concourses B and D which are at the end of useful life.

Multiple cost drivers regarding materials have increased the budget need. These additional materials include HVAC components, seismic upgrades, roofing costs, chill water piping and piping costs, and an increase in the cost of demolition. Both the air handling units and associated piping have doubled in cost in the last 18 months. Lastly, a 10% market contingency was added based on current conditions. In total, the construction bid estimate will increase by around \$1 million.

Diversity in Contracting

The project team with the Diversity in Contracting Department determined a six percent aspirational goal for WMBE participation for the major works construction contract.

DETAILS

This project installs two new energy efficient AHUs to provide additional air capacity to Concourse C to improve passenger experience.

Scope of Work

The project requires additional air capacity in two zones at Concourse C. To accomplish the work:

- (1) Two, 4,900 CFM AHUs will be installed on the roof of Concourse C and have heating and chilled water connected from the campus systems, along with direct digital controls wiring for control and monitoring of the equipment. A major public works construction project will be used to perform the work.

Schedule

<i>Activity</i>	
Construction start	2022 Quarter 3
In-use date	2023 Quarter 1

Cost Breakdown

	This Request	Total Project
Design	\$0	\$250,000
Construction	\$1,000,000	\$2,730,000
Total	\$1,000,000	\$2,980,000

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ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Defer the project

Cost Implications: Approximately \$200,000 would need to be expensed.

Pros:

- (1) No capital investment.

Cons:

- (1) Does not provide the needed air for new restrooms currently under construction.
- (2) Does not provide the needed air for ADR spaces that are currently leased and soon to be constructed.

This is not the recommended alternative.

Alternative 2 – Approve the increased budget.

Cost Implications: \$3,000,000

Pros:

- (1) Provides the air required for restrooms and ADR spaces.

Cons:

- (1) Highest capital investment.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

<i>Cost Estimate/Authorization Summary</i>	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$2,000,000	\$0	\$2,000,000
Art Transfer	-20,000		-20,000
Current change	\$1,000,000	\$0	\$1,000,000
Revised estimate	\$2,980,000	\$0	\$2,980,000
AUTHORIZATION			
Previous authorizations	\$1,980,000	\$0	\$1,980,000
Current request for authorization	\$1,000,000	\$0	\$1,000,000
Total authorizations, including this request	\$2,980,000	\$0	\$2,980,000
Remaining amount to be authorized	\$0	\$0	\$0
Revised Project Budget	\$2,980,000	\$0	\$2,980,000

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Annual Budget Status and Source of Funds

This project, CIP C801149, was included in the 2022-2026 capital budget and plan of finance with a budget of \$1,980,000. A budget decrease of \$1,000,000 was transferred from the Aeronautical Reserve CIP (C800753) resulting in zero net change to the Aviation capital budget. The funding sources will be Airport Development Fund (ADF) and 2018 revenue bonds.

Financial Analysis and Summary

Project cost for analysis	\$2,980,000
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	\$.01 in 2024

Future Revenues and Expenses (Total cost of ownership)

This project will add additional equipment and will impact current Aviation Maintenance O&M costs.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- August 11, 2020 – The Commission authorized \$2,000,000 for design and construction.