



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8n

ACTION ITEM

Date of Meeting April 26, 2022

DATE: April 14, 2022

TO: Stephen P. Metruck, Executive Director

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

**SUBJECT: C Concourse Expansion Budget Authorization and Transfer
(CIP# C800845)**

Amount of this request: \$15,500,000

Total estimated project cost: \$324,500,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to (1) authorize up to an additional \$15,500,000 of the C Concourse Expansion budget to fund baggage transfer line work, (2) transfer up to \$15,500,000 in funds from the C Concourse Expansion Project (CIP# C800845) to the Baggage Optimization Project (CIP# C800612), (3) request authorization to execute a Project Labor Agreement.

EXECUTIVE SUMMARY

The C Concourse Building Expansion (CCE) was created to address shortfalls in Airport Dining and Retail (ADR) capacity, public amenities, office space, and premium lounge space. The project is located at the intersection of Concourses C and D and will add four floors to the existing three floor structure.

At this time, the project is programmed to provide additional food and beverage space, retail space, and lounge space. The public amenities being provided include new restrooms, a meditation room, a sensory room, nursing suites, and an “outdoor” public lookout.

This authorization will transfer funds from the C Concourse Expansion to the Baggage Optimization Project (BOP) for the design, construction, and phasing of baggage transfer lines that are in the C Concourse Expansion footprint.

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JUSTIFICATION

The baggage system is a complicated system that requires specialized experience to design, construct, and operate. Outages or impacts to one part of the system can have airport wide effects. Because of the complexity and interdependency, the C Concourse Expansion project has been working with the Baggage Optimization team to coordinate the relocation and phasing of transfer lines that are inside of the CCE construction footprint. During these partnering sessions it was determined that the most efficient way of executing the transfer line relocations is for the BOP team to manage this scope of work.

The Baggage Optimization Project has the expertise required to execute this work expeditiously with minimal disruptions to the larger baggage system. Transferring this scope and budget would enable the CCE team to start enabling work in Quarter 2 of 2022 since the BOP team would be able to leverage their knowledge and resources to remove and relocate transfer lines much more quickly than the CCE team can accomplish.

The funds to be transferred are over and above what was originally estimated and scoped. The original scope of the CCE project was to relocate exiting transfer lines and open them for use at the end of the project. Since the project was initially conceived, the transfer line requirements have changed. The project will now provide at least one transfer line for use by the airlines for the duration of the project. This will necessitate complicated phasing and the demolition and rebuilding of portions of the transfer lines multiple times. Because of this, the project will be utilizing approximately two thirds of the program contingency to cover the additional cost. At a later date, the project team may return to Commission to authorize a budget increase that will replenish the program contingency.

Diversity in Contracting

Baggage Optimization Phase 2 has a WMBE goal of 2%. This is due to the nature of the scope of work primarily being baggage conveyors and limited building work.

DETAILS

The preliminary scope of work to be executed by the Baggage Optimization Project includes:

- (1) Temporary removal of the C94 transfer line
- (2) Temporary reinstall of the C94 transfer line
- (3) Permanent removal of the TX7 transfer line
- (4) Design and construction of a new D1 transfer line
- (5) Feasibility review, design and construction of a new permanent C94 configuration

Schedule

The following schedule represents the overall C Concourse Expansion Project:

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

This Request

Total Project

Cost Breakdown

Design	\$2,100,000	\$51,000,000
Construction	\$13,400,000	\$273,500,000
Total	\$15,500,000	\$324,500,000

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Have the C Concourse Expansion Project perform the design and construction of the baggage transfer lines

Cost Implications: Minimum of \$15,500,000

Pros:

- (1) Does not burden Baggage Optimization project with additional C Concourse Expansion scope.
- (2) No budget transfer required.

Cons:

- (1) Risk of cost and schedule premiums since the C Concourse Expansion does not have the applicable expertise to manage this portion of work.
- (2) Increased potential for the C Concourse Expansion baggage work to cause issues to the larger baggage system.

This is not the recommended alternative.

Alternative 2 – Transfer funds from the C Concourse Expansion to the Baggage Optimization Project

Cost Implications: \$15,500,000

Pros:

- (1) Baggage Optimization has the correct skillset and experience to perform the scope of work quickly and correctly.

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- (2) Baggage Optimization understands the larger baggage systems and how and where to tie into the system.

Cons:

- (1) Both projects need close coordination for the phasing and timing to be successful. There is a potential that one program could delay the other.
- (2) Depletes program contingency.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Cost Estimate/Authorization Summary

	Capital	Expense	Total
COST ESTIMATE			
Original estimate	\$331,776,000	\$8,224,000	\$340,000,000
Transfer to BOP	(\$15,500,000)	\$0	(\$15,500,000)
Revised Estimate	\$316,276,000	\$8,224,000	\$324,500,000
AUTHORIZATION			
Previous authorizations	\$86,174,000	\$7,926,000	\$94,100,000
Current request for authorization (Concourse C Expansion)	\$15,500,000	\$0	\$15,500,000
Total Auth, including this request (Concourse C Expansion)	\$101,674,000	\$7,926,000	\$109,600,000
Transfer of Authorization to BOP	(\$15,500,000)	\$0	(\$15,500,000)
Remaining amount to be authorized (Concourse C Expansion)	\$230,102,000	\$298,000	\$230,400,000

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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)	PV (40 years) for non-aero \$44.5 million
CPE Impact	\$0.68 in 2028

* Financial implication for this project has not changed, but the \$15.5 million is being transferred to the Baggage Optimization project.

Future Revenues and Expenses (Total cost of ownership)

As presented on April 27, 2021, when completed the project will generate incremental nonairline 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

- (1) Presentation

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- April 12, 2022 - C Concourse Expansion Briefing
- 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

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- 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